

AYRSHIRE ECONOMIC PARTNERSHIP BOARD

MEETING – 7 SEPTEMBER 2023

REPORT BY CHIEF AUDITOR, EAST AYRSHIRE COUNCIL

SUBJECT: AGD INTERNAL AUDIT PLAN 2023/24

PURPOSE OF REPORT

1. The purpose of this report is provide for noting an annual consolidated internal audit plan in line with obligations laid out in the Ayrshire Growth Deal (AGD) Governance Document.

RECOMMENDATIONS

2. The Partnership Board is asked to:
 - (i) Consider and endorse the Internal Audit Annual Plan 2023/24.
 - (ii) Recommend the report for consideration by the Ayrshire Economic Joint Committee (AEJC), noting the statutory context at paragraph 6 where AGD assignments are formally approved within the individual Council's internal audit plans.

BACKGROUND

REQUIREMENT TO HAVE AN INTERNAL AUDIT FUNCTION

3. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to operate a professional and objective internal auditing service; in practice this means that the internal audit function is operationally independent; free from limitations on the scope of its work and that the Chief Auditor reports independently with no undue influence. The internal audit service must be provided in accordance with recognised standards and practices which are currently those set out in the Public Sector Internal Audit Standards (PSIAS). It is the responsibility of each authority to ensure compliance with the PSIAS.

CONTROL ENVIRONMENT WITHIN COUNCILS

4. It is primarily the responsibility of management to establish an appropriate and sound system of internal controls, and to monitor the continuing effectiveness of that system.
5. Internal Audit reports are presented to senior management and include recommendations that, when implemented, will further improve the control environment.

MAIN REPORT

INTERNAL AUDIT PLANNING

6. From 2021/22 each Council, in line with PSIAS requirements, carries out a risk assessment and decides how many days are to be allocated to the AGD in year. These days are approved as part of each Council's Annual Internal Audit Plan by the relevant audit committee in line with the PSIAS. The approved days are consolidated and brought to the AEPB and AEJC. The 2023/24 Plan is attached at Appendix 2.

REPORTING ARRANGEMENTS FOR INDIVIDUAL INTERNAL AUDIT ASSIGNMENTS

7. On 13 September 2021 the AEJC agreed that outcomes from individual internal audit assignments will be shared with the established readership in the Council which carried out the work, the East Ayrshire Council Chief Auditor and members of the AEJC and other relevant forums in line with any revisions to governance arrangements agreed by the AEJC. Through the PMO, assignment reports are placed within an "audit room" on the AGD portal. A summary of this work is included in the AGD Internal Audit Annual Report for consideration by the AEPB and AEJC.

IMPLICATIONS

8. Eight implications have been considered in the preparation of this report.

Implications	Yes	No	Paragraph number in report
1. Policy/Strategic Planning		No	
2. Governance		No	
3. Human Resources		No	
4. Equality and Fairer Scotland Duty		No	
5. Financial		No	
6. Risk	Yes		Para 9
7. Community Wealth Building		No	
8. Net Zero		No	

RISK IMPLICATIONS (INTERNAL AUDIT RESOURCES)

9. Each year there is the ongoing risk of significant unplanned work emerging in each Council, planned resources for AGD work not being available and work not being carried out to an acceptable standard which would compromise the ability to complete sufficient work to produce an Annual Internal Audit Opinion for the AGD; local mitigations should offset the potential impact of these risks.

APPENDICES

10. The report is supported by two appendices:
- Appendix 1: AGD Governance Document (Internal Audit Extract)
 - Appendix 2: AGD Consolidated Internal Audit Annual Plan 2023/24

Eilidh Mackay
Chief Auditor, East Ayrshire Council
28 August 2023

BACKGROUND PAPERS

1. Public Sector Internal Audit Standards (PSIAS) (3rd edition March 2017)
2. Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (2nd edition February 2019)
3. Chartered Institute of Public Finance & Accountancy (CIPFA), CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2nd edition April 2019)
4. AGD Governance Document
[Deal Documents - All Documents \(south-ayrshire.gov.uk\)](#)

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AGD GOVERNANCE DOCUMENT V15 (INTERNAL AUDIT EXTRACT)

- 2.16 The Accountable Body's Chief Auditor will be appointed as Chief Auditor for the AGD to coordinate Internal Audit activity.
- 2.17 Each partner will be responsible for allocating Internal Audit resources as required for local AGD activities. The Accountable Body's Internal Audit section will reserve the right to review programme and project activities as required and request information from all partners regarding these activities.
- 2.18 Each year a consolidated Internal Audit Plan will be presented to the AEJC and AREP having been prepared following:
- consultation with relevant senior officers of the AGD PMO;
 - consideration of the risks affecting the AGD at programme and project level;
 - consideration of both internal and external factors affecting the AGD;
 - consideration of previous internal and external audit findings;
 - consideration of all of these elements which will inform Public Sector Internal Audit Standards (PSIAS) based risk assessments carried out locally by the Accountable Body and Partner Authorities; and
 - any relevant items subsequently included in local Internal Audit plans approved by each partner's audit committee in line with PSIAS obligations will be reflected in the consolidated AGD Internal Audit Plan.
- 2.19 All AGD Internal Audit work will be carried out in line with the PSIAS with individual Internal Audit assignment reports presented to the AEJC and AREP for noting.
- 2.20 The relevant annual Internal Audit Report will be submitted to both UK and Scottish Governments upon completion. The AEJC and AREP will be advised of the overall outcomes from Internal Audit work in an annual Internal Audit Report the timing of which is anticipated to align with the annual accounts timetable and will be reported to the AEJC and AREP for noting in line with PSIAS requirements. The Annual Internal Audit Report will include a summary of AGD internal audit work in year by all partners, an annual opinion for the AGD and for further assurance will also include the authority-wide Annual Internal Audit opinions prepared by each partner.
- 2.21 Actions arising from Internal Audits will be followed up by the relevant Internal Audit team in line with established arrangements in that authority and these follow-up reports will be presented to the AEJC and AREP for noting.
- 2.22 Further audit, advisory consultancy or investigative work may be requested by the AEJC and AREP.
- 2.23 The Accountable Body's Chief Auditor will liaise with partner Chief Auditors through established arrangements.

AGD CONSOLIDATED INTERNAL AUDIT ANNUAL PLAN 2023/24

Council / date Internal Audit plan agreed in line with PSIAS	Anticipated Assignments	Indicative Days
East Ayrshire 20 April 2023	AGD Advisory - incl Chief Auditor support to Joint Committee / Audit Manager & Senior Auditor support to PMO.	17*
North Ayrshire 28 March 2023	Review the arrangements in North Ayrshire Council in relation to the AGD revenue projects.	20
South Ayrshire 22 March 2023	Follow-up of actions from 2022/23 assignment and review (scope to be agreed following completion of 2022/23 work)	25
	Total scheduled days	62

*additional days may be allocated to review EAC AGD capital projects