

## **Item: 6**

**Monitoring and Audit Committee: 21 September 2023.**

**Integration Joint Board – Annual internal Audit Report and Opinion.  
Report by Chief Internal Auditor.**

### **1. Purpose of Report**

To present the Internal Audit Annual Report and Opinion 2022/23 in respect of Orkney Integration Joint Board.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

The Internal Audit Annual Report and Opinion 2022/23 in respect of the Integration Joint Board, attached as Appendix 1 to this report, which confirms that, for areas subject to audit review during 2022/23, there are adequate and effective controls operating.

### **3. Background**

The Council's Chief Internal Auditor was appointed as Chief Internal Auditor of the Integration Joint Board in April 2021 for a five-year period. As part of that appointment, the Chief Internal Auditor is required to provide an annual internal audit report including an opinion on risk management, governance and control.

### **4. Internal Audit Annual Report and Opinion**

#### **4.1.**

The Internal Audit Annual Report and Opinion, attached as Appendix 1 to this report, was presented to the Integration Joint Board Performance and Audit Committee meeting on 28 June 2023 for scrutiny. In accordance with the Integration Joint Board's Internal Audit Reporting Protocol, Annual Internal Audit Reports should be shared with the partner bodies.

#### **4.2.**

The Internal Audit Annual Report and Opinion details the internal audit work completed for the Integration Joint Board, provides a summary of the findings from that work and the status of audit recommendations.

### **4.3.**

On the basis of the audit work performed in 2022/23, the Internal Auditor's opinion is that the Integration Joint Board has a framework of controls in place that provides adequate assurance regarding the organisation's governance framework, related internal controls, and the management of key risks.

## **5. Corporate Governance**

This report relates to the Council complying with governance and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **6. Financial Implications**

There are no financial implications associated directly with this report.

## **7. Legal Aspects**

There are no legal implications associated directly with this report.

## **8. Contact Officer**

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## **9. Appendix**

Appendix 1: Integration Joint Board – Internal Audit Annual Report and Opinion 2022/23.



## Internal Audit

# Internal Audit Annual Report and Opinion

Issue date: 26 May 2023

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# 1. Introduction

1.1. The Public Sector Internal Audit Standards state that:

- The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control

1.2. The purpose of this document is to report on the Internal Audit work completed during 2022/23 and to provide the Chief Internal Auditor's annual internal audit opinion on the Orkney Integration Joint Board's (IJB) framework of governance, risk management and control.

1.3. At its meeting on 10 March 2021 the IJB appointed the Chief Internal Auditor of Orkney Islands Council (OIC) as the Chief Internal Auditor of the IJB for the period 2021 to 2026.

1.4. The 2022/23 internal audit strategy and plan was approved by the IJB Audit Committee on 16 March 2022. Audit work is undertaken in partnership with NHS Orkney (NHSO) Internal Audit Service to allow the Chief Internal Auditor to provide an annual internal audit opinion.

# 2. Governance

2.1. Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times. The core principles and sub-principles of good governance are:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.

2.2 Good governance in the public sector also requires effective arrangements for:

- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

## 3. Risk Management

3.1. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The IJB approved a Risk Management Strategy in October 2018, this was recently revised and approved at the Board meeting on 19 April 2023. The strategy has been compiled using both the NHS Orkney and the OIC's strategies, and aims to build on already established best practice, so that a robust and effective framework is in place for the management of risk.

3.2. The Integration Joint Board's risk management objectives are to:

- Anticipate and respond to changing social, environmental and legislative requirements.
- Prevent injury and/or harm, damage and losses:
  - Comply with health and safety and legislative requirements.
  - Safeguard the public, Council and NHS Orkney Board members, employees, service users and all persons to whom the IJB has a duty of care.
- Preserve and enhance service delivery.
- Maintain effective control of public funds.
- Maintain and enhance the IJB's reputation.
- Safeguard and enhance the quality of Orkney's environment.

## 4. Control Framework

4.1. The policies, procedures and activities that are part of a control framework are designed and operated to ensure that risks are contained within the level that the IJB is willing to accept.

4.2. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

## 5. Internal Audit

5.1. The Integrated Resources Advisory Group's Finance Guidance outlines the responsibility of the Integration Joint Board to establish adequate and proportionate internal audit arrangements for the review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.

5.2. The operational delivery of services within the Health Board and Local Authority on behalf of the IJB are covered by their respective internal audit arrangements.

5.3. The IJB's Financial Regulations state that internal audit shall independently and objectively examine, evaluate and report on the adequacy of internal control, governance and risk management arrangements within the IJB.

5.4. The Internal Audit Charter 2022-24, which was approved by the IJB Performance and Audit Committee on 6 July 2022, defines the purpose, authority and responsibility for the Internal Audit Service. The Charter conforms to the Definition of Internal Auditing, the Code of Ethics and the Standards contained in the Public Sector Internal Audit Standards updated in March 2017.

5.5. Internal Audit has organisational independence, and this independence was maintained throughout 2022/23. Staff involved in each internal audit review were independent of the IJB and their objectivity was not compromised in any way.

5.6. The Internal Audit Strategy and Plan is reviewed and approved annually. The Strategy for 2022/23 was approved by the IJB Performance and Audit Committee on 16 March 2022. A risk-based planning exercise is carried out each year to determine priorities and to establish and achieve objectives. This helps to control and direct audit work and to ensure the efficient and effective use of resources.

5.7. In carrying out the audit planning, consultation is carried out with senior management to produce an audit universe which includes a detailed list of IJB services assessed on a number of risk factors. Emphasis is also placed on the IJB's risk registers when preparing the audit universe and considering which areas should be subject to audit.

## 6. Overall Opinion

6.1. On the basis of the audit work performed in 2022/23, my opinion is that the IJB has a framework of controls in place that provides **Adequate** assurance regarding the organisation's governance framework, related internal controls, and the management of key risks.

6.2. The actions identified during the audit work did not impact on the overall governance arrangements of the IJB.

6.3. Furthermore, I confirm that there were no instances of fraud identified from the audit work conducted during the year.

6.4. My opinion has not been limited by any shortfall in resources, absence of skills, or any limitation of scope of internal audit activity that would adversely affect my ability to form an opinion.

## 7. Achievement of Annual Audit Plan

7.1. The internal audit plan for 2022/23 included audits of Workforce Planning and Performance Management. The table below shows the auditable areas considered as part of the annual planning process.

7.2. A report was prepared and presented to the IJB Performance and Audit Committee on 22 March 2023 for the audit of Workforce Planning. The audit of Performance Management has also been completed and will be presented to the Performance and Audit Committee in June 2023.

| Auditable Area                              | Last Audit | 22/23 Days | 23/24 Days | 24/25 Days | 25/26 Days | Outline Scope   |
|---|------------|------------|------------|------------|------------|---|
| Strategic Commissioning Plan                | Jan 2020   |            |            | 5          |            | Review arrangements for providing directions to OIC & NHSO, and that compliance with these is monitored and reported.   |
| Integration Scheme                          | Nov 2018   |            |            |            | 5          | Review the various elements of the Integration Scheme & obtain evidence that these are being complied with.   |
| Financial Planning Monitoring and Reporting | Aug 2020   |            |            |            | 5          | Review arrangements in place for financial planning of the IJB. Review the reporting framework, & how financial performance is monitored against budgets.                                   |
| Risk Management                             | Feb 2022   |            |            |            |            | Review the risk management framework to ensure it is fit for purpose & ensures the Board are aware of the potential risks affecting the IJB & its ability to deliver on the strategic plan. |
| Internal Communication & Engagement         |            |            | 5          |            |            | Review of strategy & policies for communication & engagement with partner bodies and staff.   |
| External Communication & Engagement         |            |            | 5          |            |            | Review of community communication & engagement strategies & policies.   |
| Performance Management                      |            | 5          |            |            |            | Review annual performance reporting procedures  |
| Locality Planning Groups                    | Oct 2019   |            |            | 5          |            | Review the terms of reference, roles and responsibilities established, how the groups contribute to planning & the support provided to the groups.  |
| Corporate Governance                        | Feb 2021   |            |            |            |            | Review of governance, standing orders, reporting, provision of training & information to board members. Review a sample of the key elements of the Code of Corporate Governance.            |
| Workforce Planning                          | Jun 2017   | 5          |            |            |            | Review the position with workforce planning in relation to partners & the strategic plan.   |
| Business Continuity & Disaster Recovery     |            |            |            |            |            | Review of arrangements for business continuity and disaster recovery  |
| Information Governance & Data Sharing       | Feb 2022   |            |            |            |            | Review information sharing agreements & compliance with GDPR  |

## 8. Summary of Audits and Recommendations

8.1. The recommendations and progress with completing the resulting actions from the audits performed this year is shown below.

8.2. Pentana Risk the OIC's performance management system is used to monitor the implementation of internal audit actions.

### Workforce Planning Audit

| Recommendations  | Management Comment   | Target Date | Current Position |
|--|--|-------------|------------------|
| 1. An action plan should be developed as a result of the workforce priorities referred to within the workforce plan, setting out: Specific, Measurable, Achievable, Relevant and Time-Bound (SMART) goals, and included within future revisions of the workforce plan.   | Action plan will be created following the Workforce Plan being agreed by IJB in February 2023.   | 31/3/2023   | In progress      |
| 2. Engagement should be carried out between Orkney Health and Social Care Partnership and the third sector, in a planned manner to establish & incorporate the third sector's detailed planning needs in preparation for future annual reviews of the workforce plan   | Discussions with Third Sector organisations are ongoing, this issue will be incorporated into the regular cycle. This will prepare the sector for engagement in future iterations of the report. | 31/5/2023   | Complete         |
| 3. Engagement should be carried out between Orkney HSCP and representatives of unpaid carers within Orkney and their detailed needs incorporated within the annual reviews of the workforce plan   | This will be incorporated into discussions through the Carers Strategy Group and with Crossroads locally.  | 31/3/2023   | Complete         |
| 4. Key actions to addressing the workforce gender and age imbalance, such as grow your own, liaising with the third sector, speaking directly with young people and particularly males about a career in social care should be further detailed for Orkney HSCP and clearly linked to the data statistics within the workforce plan. | This will be addressed through the action plan described in recommendation 1 and will be reported on in future iterations of the Workforce Plan.   | 31/3/2023   | In progress      |



|   |   |                   |                 |
|---|---|-------------------|-----------------|
| <p>5. The extent of working long hours should be monitored and the impact to staff health and wellbeing should be risk assessed</p>                 | <p>The Partnership Senior Management Team already discuss sickness absence on a quarterly basis including contributory factors such as persistent overtime requirements. Risk assessment will be incorporated into these discussions going forward and Heads of Services will carry out risk assessment where appropriate where issues are identified</p> | <p>31/12/2022</p> | <p>Complete</p> |
| <p>6. Enhanced reporting of sickness absence rates and analysis of their causes within the workforce plan would be beneficial.</p>                  | <p>This will easily be incorporated into future iterations using the Partnership Senior Management data.</p>  | <p>31/12/2022</p> | <p>Complete</p> |
| <p>7. Enhanced reporting of staff turnover rates and analysis of their causes made within the workforce plan could provide valuable information</p> | <p>Chief Officer and Head of Strategic Planning and Performance will work with the NHS and Council HR teams to report more consistently on exit interviews and will review outputs on a six-monthly basis through the Partnership Senior Management Team.</p>   | <p>31/3/2023</p>  | <p>Complete</p> |
| <p>8. Future iterations of the workforce plan should be considered by the IJB and other relevant groups within Orkney HSCP.</p>                     | <p>The workforce plan will be considered by the IJB and the Partnership Senior Management Team.</p>   | <p>28/2/2023</p>  | <p>Complete</p> |
| <p>9. An update to the progress made to the action plan within the 2020/22 workforce plan should be reported to the IJB</p>                         | <p>The Head of Strategic Planning and Performance will work with colleague Heads of Service to incorporate the update within the report presenting the new workforce plan to IJB.</p>   | <p>28/2/2023</p>  | <p>Complete</p> |

## Performance Management Audit

| Recommendations  | Management Comment   | Target Date       | Current Position   |
|--|--|-------------------|--------------------|
| <p>1. Orkney IJB should look to confirm KPIs that align with the strategic plan as soon as possible. This should include allocation of responsibility for delivery, as well as a system of monitoring to enable action to be taken to address underperformance. Due to the strategy period having commenced in March 2022, an initial review of performance should be prioritised to ensure that the strategy is on track to be delivered in 2025 (and where needed a remediation plan developed).</p> | <p>Work will continue on weaving performance measures directly related to the strategic priorities into our reporting cycles. A date has been set for the Strategic Planning Group to meet and finalise the actions and associated KPIs.</p>   | <p>31/8/2023</p>  | <p>In progress</p> |
| <p>2. We recommend Orkney IJB work on a centralised approach to data consolidation and performance reporting. This should take into account not only developing a system which suits the needs of the organisation, but also working with partners to enable appropriate consolidated flows of information.</p>  | <p>Upgrade of our social care system is scheduled for September 2023 and work will be undertaken to improve our ability to produce key performance reports.</p>  | <p>31/3/2024</p>  | <p>In progress</p> |
| <p>3. Once KPIs are set for Orkney IJB, these should be fully integrated into performance monitoring and analysis.</p>   | <p>Reports will be routed through the Performance and Audit Committee.</p>   | <p>31/12/2023</p> | <p>In progress</p> |
| <p>4. OIJB should consider the timing of meetings to best enable timely performance review and give management opportunity to rectify issues in a timely manner.</p>   | <p>Discussions has taken place with Committee Services and it is not considered feasible to increase the frequency of, or alter the scheduling of Performance and Audit Committee meetings. Operational management will continue to rectify performance matters as part of their ongoing activity.</p> | <p>31/7/2023</p>  | <p>Complete</p>    |

|  |  |                  |                 |
|--|--|------------------|-----------------|
| <p>5. For notable matters agreed in meetings, action logs should be developed to ensure that agreed actions are completed.</p> | <p>The existing Matters Arising Log captures relevant actions from each set of minutes of the Performance and Audit Committee and is included on the agenda to each meeting. The Matters Arising Log already encapsulates a named person and target by date. The Matters Arising Log will continue to be utilised for performance monitoring action points. The Chief Officer may in future report to the Performance and Audit Committee an action tracker for more complex areas where this enables appropriate monitoring to be undertaken.</p> | <p>31/8/2023</p> | <p>Complete</p> |
|--|--|------------------|-----------------|

### Status of Audit Recommendations from Previous years

8.3. At the end of the financial year there was only one recommendation from previous years' internal audits which was past the agreed target date for completion. This was a recommendation from the Risk Management Review completed by Azets in January 2022. There are no other outstanding actions from internal audits.

8.4. The recommendations from the 2021/22 audits and the progress with the actions is shown below.

### Information Governance and Data Sharing Audit

| Recommendations  | Management Comment   | Target Date      | Current Position |
|--|--|------------------|------------------|
| <p>1. The contact details of the IJB's Data Protection Officer should be more prominent on the partners respective websites.</p> | <p>Agreed - The digital communications officers at each of the respective organisations will be contacted to update this information on the partners websites.</p> | <p>28/2/2022</p> | <p>Complete</p>  |

|  |   |           |          |
|--|---|-----------|----------|
| 2. A service agreement should be put in place between the IJB and its Data Protection Officer.   | Agreed – A service agreement will be established between the Chief Officer and the Data Protection Officer. | 28/2/2022 | Complete |
| 3. The IJB should maintain a register of its data sharing agreements, memorandums of understanding, or any other relevant documents, together with their respective due dates of review. | Agreed – This task will be carried out by the information governance champions within Orkney HSCP.          | 28/2/2022 | Complete |

### Risk Management Audit

| Recommendations   | Management Comment                        | Target Date | Current Position  |
|---|---|-------------|---|
| 1. The Risk Management Strategy should be updated to remove inconsistencies to ensure that appropriate, timely review processes are implemented and confirm the approach to ensure risk approach, analysis and relevant mutual risks are shared appropriately with and by the IJB to provide for effective partnership working on risk. | Recommendation accepted to be implemented | 30/9/2022   | Complete  |
| 2. Mitigating actions should be as SMART as possible, with clear statement of and alignment to the IJB's defined appetite.  | Recommendation accepted to be implemented | 30/6/2023   | Partially Complete - The revised RM Strategy was approved at the IJB meeting in April 2023, the revised risk register will be presented to the June 2023 Board meeting. A joint session with IJB and NHS Board Members to look at risk appetite is proposed, dates still to be confirmed. |

## 9. Quality Assurance and Improvement Programme

9.1. Internal Audit monitors its performance to gauge the effectiveness of the service and to inform future service improvements.

9.2. The PSIAS introduces a specific requirement for the Internal Audit Service to have in place a quality assurance and improvement programme. The purpose of the programme is to “enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunity for improvement.”

9.3. Conformance with the standards is confirmed through cyclical internal and external assessments of our methodology and practice.

Andrew Paterson MSc CMIIA

Chief Internal Auditor

## Appendix 1 – Definition of Opinions

### Audit Opinions

| Opinion               | Definition  |
|-----------------------|---|
| <b>Substantial</b>    | The framework of governance, risk management and control were found to be comprehensive and effective.  |
| <b>Adequate</b>       | Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.                                      |
| <b>Limited</b>        | There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.      |
| <b>Unsatisfactory</b> | There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail. |