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Agenda Item: 5

Integration Joint Board – Audit Committee

Date of Meeting: 17 September 2020.

Subject: Internal Audit Annual Report and Assurance Statement 2019 to 2020.

1. Summary

1.1. Internal audit has a duty to provide an annual assurance statement on the overall adequacy and effectiveness of the framework of governance, risk management and control. As Chief Internal Auditor, this annual report provides my opinion on the Orkney Integration Joint Board's (OIJB) internal control framework for financial year 2019 to 2020.

2. Purpose

2.1. This report has been prepared to present the Internal Audit Annual Report and Assurance Statement for 2019 to 2020.

3. Recommendations

The Integration Joint Board – Audit Committee is invited to:

3.1. Scrutinise and seek assurance on the Internal Audit Annual Report and Assurance Statement for 2019 to 2020, attached as Appendix 1 to this report.

4. Background

4.1. The Integrated Resources Advisory Group (IRAG) guidance outlines the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.

4.2. The Chief Internal Auditor is required to provide an annual internal audit report including an audit opinion on risk management, governance and control.

4.3. The IRAG guidance recommends that the annual internal audit report is shared with the partner Health Board and Local Authority through the reporting arrangements in those bodies for internal audit. The circumstances of looked after children/young persons are reviewed regularly.

5. Contribution to quality

Please indicate which of the Orkney Community Plan 2019 to 2022 visions are supported in this report adding Yes or No to the relevant area(s):

Resilience: To support and promote our strong communities.	Yes.
Enterprise: To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
Equality: To encourage services to provide equal opportunities for everyone.	Yes.
Fairness: To make sure socio-economic and social factors are balanced.	Yes.
Innovation: To overcome issues more effectively through partnership working.	No.
Leadership: To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	Yes.
Sustainability: To make sure economic and environmental factors are balanced.	Yes.

6. Resource implications and identified source of funding

6.1. The provision of the internal audit service for 2019 to 2020 has been contained within the contingency allocation of audit time by both Orkney Islands Council Internal Audit and the NHS Orkney internal audit service providers, Scott-Moncrieff. This has therefore not resulted in any additional cost to any party.

7. Risk and Equality assessment

7.1. There are no risk or equality implications associated with this report. The provision of an annual internal audit opinion strengthens the governance arrangements of the OIJB.

8. Direction Required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

9. Escalation Required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

10. Author

10.1. David Eardley (Chief Internal Auditor), Integration Joint Board.

11. Contact details

11.1. Email: david.eardley@azets.co.uk.

12. Supporting documents

12.1. Appendix 1: Internal Audit Annual Report and Assurance Statement 2019 to 2020.



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Orkney Health and Social Care Integration Joint Board

Internal Audit Annual Report 2019/20

August 2020



Orkney Health and Social Care Integration Joint Board

Internal Audit Annual Report 2019/20

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Introduction

The Public Sector Internal Audit Standards (PSIAS) 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.”

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at Orkney Health and Social Care Integration Joint Board during the 31 March 2020, including our overall opinion on Orkney Health and Social Care Integration Joint Board’s internal control system.

Acknowledgement

We would like to take this opportunity to thank all members of management and staff for the help, courtesy and co-operation extended to us during the year.

Overall internal audit opinion

Basis of opinion

As the lead Internal Auditor of Orkney Health and Social Care Integration Joint Board (working in collaboration with the Orkney Islands Council internal audit service), we are required by PSIAS to provide the Audit Committee with assurance on the whole system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control.

In assessing the level of assurance to be given, we have taken into account:

- All reviews undertaken as part of the 2019/20 internal audit plan;
- Any scope limitations imposed by management;
- Matters arising from previous reviews and the extent of follow-up action taken including in year audits;
- Expectations of senior management, the audit committee and other stakeholders;
- The extent to which internal controls address the client's risk management /control framework;
- The effect of any significant changes in Orkney Health and Social Care Integration Joint Board's objectives or systems; and
- The internal audit coverage achieved to date.

In my professional judgement as Head of Internal Audit, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The conclusions are only applicable for the entity examined. The evidence gathered meets professional audit standards and is sufficient to provide senior management with proof of the conclusions derived from the internal audit work.

The majority of our and Orkney Islands Council internal audit fieldwork was undertaken pre COVID-19, and that work is the basis on which we have formed our opinion. The nature and timing of amendments to governance, risk and internal control arrangements as a result of Covid-19 should be carefully considered by the Audit Committee for any impact on the governance statement and related commentary.

Internal Audit Opinion

In our opinion Orkney Health and Social Care Integration Joint Board has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks. However, in the area of budget processes only limited assurance of the operation of controls can be provided.

Scott-Moncrieff

August 2020

Internal audit work performed

Scope and responsibilities

Management

It is management's responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

Internal auditor

The Internal Auditor assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, the Internal Auditor should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

Planning process

In order that we can provide an annual assurance statement supporting the Governance Statement, we include all of Orkney Health and Social Care Integration Joint Board's activities and systems within the scope of our internal audit reviews but also take cognisance of and work within the requested extent of coverage by the IJB.

Our strategic and annual internal audit plans are designed to provide the Audit Committee with assurance that Orkney Health and Social Care Integration Joint Board's internal control system is effective in managing the key risks and best value is being achieved. The plans are therefore informed by the client's risk management system and linked to the Corporate Risk Register.

The Strategic Internal Audit Plan was agreed in consultation with senior management and formally approved by the Audit Committee.

The Annual Internal Audit Plan is subject to revision throughout the year to reflect changes in Orkney Health and Social Care Integration Joint Board's risk profile.

We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

Cover achieved

Our Internal Audit Plan comprises 13 days per annum. A further review is provided by the internal audit team from Orkney Islands Council. We completed 13 days of core internal audit work in 2019/20.

A comparison of actual coverage against the 2019/20 plan is attached at Appendix 1.

We confirm that there were no resource limitations that impinged on our ability to meet the full audit needs of Orkney Health and Social Care Integration Joint Board and no restrictions were placed on our work by management.

We did rely on the work performed by Orkney Islands Council during the period.

Reports

We have prepared a report for each of the internal audit reviews completed and presented these reports to the Audit Committee.

Where relevant, all reports contained action plans detailing responsible officers and implementation dates. The reports were fully discussed and agreed with management prior to submission to the Audit Committee.

We made no recommendations that were not accepted by management.

Key Themes

Two audits have been undertaken in 2019/20. The review of implementation of IJB strategy identified three moderate risk findings. The review of budgetary processes noted seven findings, four of these were noted as high priority with the remaining findings noted as medium priority. The high priority findings were:

- To implement the proposals, made by the Ministerial Strategic Group for Health and Community Care so that the IJB is effectively supported in managing its financial priorities and financial management.
- To establish a working group, or groups, to identify how budget savings will be implemented
- The Orkney IJB and the Orkney Health Board should prioritise establishing robust and timeous processes for the for planning, performance and management of set aside hospital functions and associated resources.
- The Orkney IJB and the Health board should prioritise how budget savings specific to unscheduled care will be made.

Independence

PSIAS require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members involved in each 2019/20 internal audit review were independent of Orkney Health and Social Care Integration Joint Board and their objectivity was not compromised in any way.

Conformance with Public Sector Internal Audit Standards

We confirm that our internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This is confirmed through our quality assurance and improvement programme, which includes cyclical internal and external assessments of our methodology and practice, against the standards.

A summary of the results of our most recent internal assessment is provided at Appendix 2.

Appendix 1 – Planned v actual days 2019/20

Ref and Name of report	Planned Days	Actual Days
A1 Budgeting	OIC ¹	OIC
A2 Implementation of IJB Strategy	5	5
Management		
Planning, meetings, coordination and contract management	6	6
Periodic reporting	2	2
Total	13	13

¹ Review undertaken by Orkney Islands Council internal audit service

Appendix 2 – Summary of Internal Quality Assurance Assessment

We are required by Public Sector Internal Audit Standards to disclose the outcome of our regular internal and external quality assessments.

The table below summarises the outcome of our most recent internal quality assessment, in which we have assessed the extent to which our internal audit methodology conforms to the standards.

Standard	Does not conform	Conforms	Improvements we have identified
Purpose & positioning			
• Remit		✓	
• Reporting lines		✓	
• Independence		✓	
• Other assurance providers		✓	
• Risk based plan		✓	
Structure & resources			
• Competencies		✓	
• Technical training & development		✓	
• Resourcing		✓	
• Performance management		✓	
• Knowledge management		✓	
Audit execution			
• Management of the IA function		✓	
• Engagement planning		✓	
• Engagement delivery		✓	
• Reporting		✓	
Impact			
• Standing and reputation of internal audit		✓	
• Impact on organisational delivery		✓	
• Impact on Governance, Risk and Control		✓	

Comment

Overall, our service conforms to the requirements of the PSIAS.

Our assessment is based on the overall service that is delivered to each client. Compliance with the methodology will be monitored through an enhanced system of internal quality assurance to supplement existing arrangements.

We are happy to provide Audit Committee members with further details of the information set out above and the assessment process, if required.

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