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Agenda Item: 5

Integration Joint Board – Audit Committee

Date of Meeting: 18 November 2020.

Subject: Internal Audit Plan 2020/21.

1. Summary

1.1. It is recommended within the Integrated Resources Advisory Group (IRAG) Finance Guidance that Integration Joint Boards (IJBs) should have in place a risk based internal audit plan.

2. Purpose

2.1. To present the draft Audit Plan for 2020/21 for review and approval.

3. Recommendations

The Integration Joint Board is invited to:

3.1. Note that a comprehensive audit planning process has been undertaken by the Chief Internal Auditor in order to identify priorities for the internal audit activity for financial year 2020/21.

3.2. Approve the Internal Audit Plan for 2020/21, attached as Appendix 1 to this report.

4. Background

4.1. The Integrated Resources Advisory Group (IRAG) Finance Guidance includes recommendations that IJBs should establish adequate and proportionate internal audit arrangements, and that the Chief Internal Auditor should develop a risk based internal audit plan. This requirement is in compliance with the Public Sector Internal Audit Standards (PSIAS).

4.2. The Chief Internal Auditor has completed an audit planning process, considering the risks to the IJB, which has identified the priorities for the internal audit activity for the financial year 2020/21.

4.3. The PSIAS also requires that the audit plan must incorporate, or be linked to, a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

4.4. The internal audit strategy details how the internal audit service shall be delivered and developed in accordance with the Internal Audit Charter. The strategy provides the links to organisational objectives and priorities. The internal audit strategy is incorporated within the audit plan and is reviewed annually and updated as required.

5. Audit Plan 2020/21

5.1. The annual audit plan, attached as Appendix 1 to this report, has been based on a number of contributing factors, including the following:

- Reviewing Orkney IJB's risk register.
- Reviewing Orkney IJB's strategic and operational plans.
- Reviewing previous internal audit reports.
- Reviewing external audit reports and plans.
- Reviewing the Orkney IJB website and internal policies and procedures.
- Utilising the experience at similar organisations and the understanding of IJBs.
- Discussions with the Executive Team, NHS Orkney, Orkney Islands Council and the Audit Committee.

5.2. There is no contingency allowance included within the plan. Should any additional audit work be required, this shall have to be commissioned as an additional piece of work and will incur a cost which would be subject to a separate agreement.

5.3. Prior to the commencement of each individual audit assignment, internal audit staff shall be in contact with the relevant managers in order to sign off and agree an audit brief, which sets out the objectives, scope and timing of the assignment

6. 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.	No.
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.	No.
Fairness: To make sure socio-economic and social factors are balanced.	No.

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.	No.
Sustainability: To make sure economic and environmental factors are balanced.	No.

7. Resource implications and identified source of funding

7.1. The provision of the internal audit service for 2020 – 2021 shall be contained within the contingency allowance of the OIC Internal Audit and the NHSO internal audit plans.

7.2. Should the Integration Joint Board decide to commission any further internal audit work, this will require the identification of additional funding and agreement.

8. Risk and Equality assessment

8.1. There are no risks associated with this report. Having an internal audit service in place strengthens the governance arrangements of the Integration Joint Board.

9. 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.

10. 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.

11. Authors

10.1. Matthew Swann (Associate Director), Azets.

10.2. Pat Robinson (Chief Finance Officer), Integration Joint Board.

11. Contact details

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12. Supporting documents

12.1. Appendix 1: Internal Audit Plan 2020/21.



Orkney Health and Social Care Integration Joint Board

Internal Audit Plan 2020/21

Draft

August 2020



Orkney Health and Social Care Integration Joint Board

Internal Audit Plan 2020/21

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Introduction

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Section 3 – Definition of Internal Auditing, Public Sector Internal Audit Standards

Azets internal audit methodology complies fully with the Public Sector Internal Audit Standards (PSIAS), which cover the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework. PSIAS have superseded the Government Internal Audit Standards.

Internal audit plan

PSIAS requires the Chief Internal Auditor to produce a risk-based plan, which takes into account Orkney Health and Social Care Integration Joint Board's (Orkney IJB) risk management framework, its strategic objectives and priorities, and the views of senior managers and the Audit Committee. This Internal Audit Plan is directly linked to Orkney IJB's Corporate Risk Register.

The objective of audit planning is to direct audit resources in the most efficient manner to provide sufficient assurance that key risks are being managed effectively and value for money is being achieved.

This document addresses these requirements by setting out a detailed plan for 2020/21.

Audit Committee action

We now ask the Audit Committee to review and approve the proposed Internal Audit Plan for 2020/21.

Internal audit approach

Supporting the Governance Statement

Our internal audit plan is designed to provide Orkney IJB, through the Audit Committee, with the assurance it needs to prepare an annual Governance Statement that complies with best practice in corporate governance. We also aim to contribute to the improvement of governance, risk management, and internal control processes using a systematic and disciplined evaluation approach. We work along with the OIC internal audit team to deliver internal audit services to Orkney IJB.

Risk based internal auditing

Our internal audit methodology links internal audit activity to the organisation's risk management framework. The main benefit to Orkney IJB is a strategic, targeted internal audit function that focuses on the key risk areas and provides maximum value for money. We look to deliver as much assurance to Orkney IJB as possible, within the allocated resources, and taking ongoing cognisance of the wider audit and assurance activity (including across key partners).

By focussing on the key risk areas, internal audit should be able to conclude that:

- Management has identified, assessed and responded to Orkney IJB's key risks;
- The responses to risks are effective but not excessive;
- Where residual risk is unacceptably high, further action is being taken;
- Risk management processes, including the effectiveness of responses, are being monitored by management to ensure they continue to operate effectively; and
- Risks, responses and actions are properly classified and reported.

We have reviewed Orkney IJB's risk management arrangements and have confirmed that they are sufficiently robust for us to place reliance on the Corporate Risk Register as one source of the information we use to inform our audit needs assessment. With the support of Internal Audit, management are in the process of undertaking a review of corporate risks and key changes to the risk profile will be considered throughout 2020/21 in the context of the audit plan. This review will assist in the development of future three-year strategic internal audit plans.

Audit needs assessment

Internal audit plans are based on an assessment of audit need. "Audit need" represents the assurance required by the Audit Committee from internal audit that the control systems established to manage and mitigate the key inherent risks are adequate and operating effectively. The objective of the audit needs assessment is therefore to identify these key controls systems and determine the internal audit resource required to provide assurance on their effectiveness.

Our audit needs assessment takes both a top-down and bottom-up approach followed by a reasonableness check. The top-down approach involves identifying the areas of highest inherent risk and the control systems in place to manage those risks. The bottom-up approach involves defining Orkney IJB's audit universe (potential auditable areas) and covering all systems on a cyclical basis in line with their relative risk and significance. The reasonableness check involves us using our experience of similar organisations, together

with discussions with other IJB internal auditors, to ensure that all key risk areas and systems have been considered and the resulting internal audit plan seems appropriate.

Our audit needs assessment has involved the following activities:

- Reviewing Orkney IJB's risk registers;
- Reviewing Orkney IJB's strategic and operational plans;
- Reviewing previous internal audit reports;
- Reviewing external audit reports and plans;
- Reviewing the Orkney IJB website and internal policies and procedures;
- Utilising our experience at similar organisations and our understanding of IJB's; and
- Discussions with the Executive Team, NHS Orkney, Orkney Islands Council and the Audit Committee.

The audit needs assessment is revised on an on-going basis (at least annually) to take account of any changes in Orkney IJB's risk profile. Any changes to the Internal Audit Plan will be approved by the Audit Committee.

Best value

Our work helps Orkney IJB to determine whether services are providing best value. Each year, the plan contains specific reviews that focus on assessing whether the current processes provide best value. In addition, every report includes an assessment of value for money; i.e. whether the controls identified to mitigate risks are working efficiently and effectively. Where we identify opportunities for improving value for money, we raise these with management and include them in the report action plan.

Delivering the internal audit plan

Internal Audit Charter

At Appendix 2 we have set out our Internal Audit Charter, which details how we will work together to deliver the Internal Audit Plan.

Confirmation of 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 all members of the internal audit team and those of OIC internal audit team are independent of Orkney IJB and their objectivity has not been compromised.

Internal Audit Team Contacts

David Eardley



Chief Audit Executive

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NAME



Internal Audit Associate Director

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Proposed Internal Audit Plan

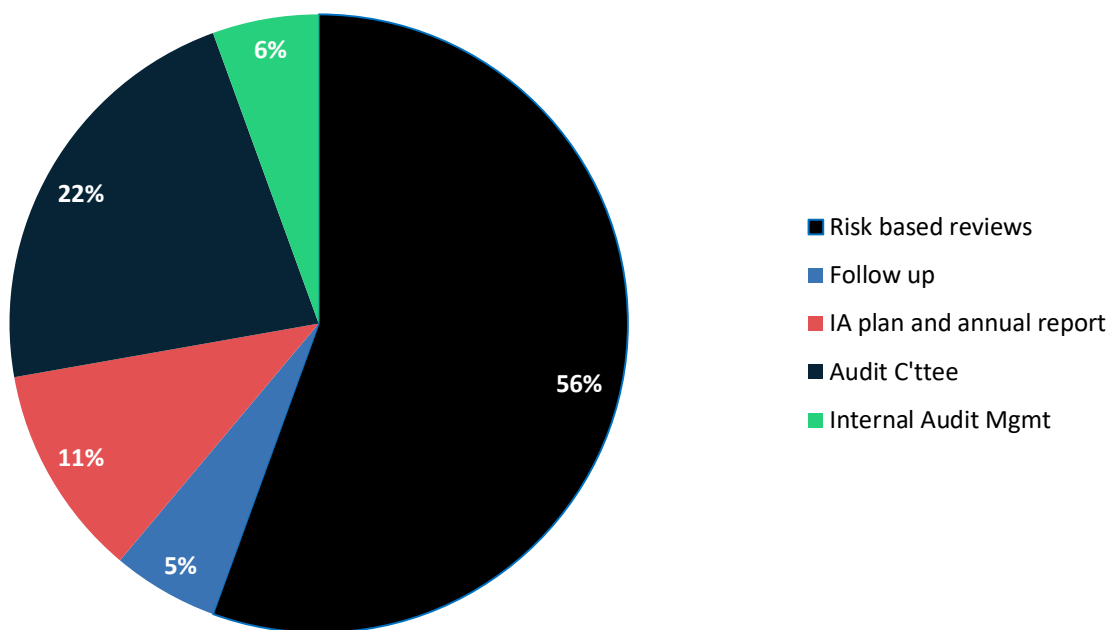
Appendix 1 presents the Internal Audit Plan for 2020/21. The Internal Audit Plan is based on our latest audit needs assessment.

Internal audit is only one source of assurance for the Audit Committee. Assurance on the management of risk is provided from a number of other sources, including the senior management team, external audit, and the risk management framework itself.

We seek to complement the areas being covered by Orkney IJB's external auditor. Following discussion of this plan at the Audit Committee and with OIC internal audit, we welcome any comment from the external auditor and will look to incorporate the feedback received into the final version submitted for approval to the Audit Committee. This helps us to target our work in the most effective manner, avoiding duplication of effort and maximising the use of the total audit resource.

The table below demonstrates how the 18 internal audit days agreed for 2020/21 are allocated across each area of the audit universe:

Allocation of audit days



Appendix 1 – Internal Audit Plan 2020-21

Audit area	2019/20 days	2020/21 days	Outline scopes
A1. Budgeting	5		Review of arrangements for setting and monitoring budget, including variance analysis and financial reporting.
A2. Implementation of IJB Strategy	5		Review of strategic planning process In light of changes to the IJB strategy.
A3. Corporate governance		10	Review of approach to oversight of the organisation including consideration of structure and purpose of relevant committees
Sub-total	10	10	
B1. Follow up of previous internal audit recommendations	1	1	We will follow up the action plans from previous internal audits.
Sub-total	1	1	
Audit Committee meetings	4	4	
Annual Internal Audit Plan	1	1	
Annual Internal Audit Report	1	1	
Contract Management	1	1	
Sub-total – Management	7	7	
TOTAL	18	18	

Appendix 2 – Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Orkney IJB.

It helps Orkney IJB accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Aim

The aim of this protocol is to set out the management by both parties of the internal audit process. The protocol sets out and outlines in detail, the context of the internal audit function. This includes the place of the Audit Committee, the key personnel involved, and the timescales and processes to be followed for each internal audit review.

This Charter is in line with the best practice guidance set out by the Chartered Institute of Internal Auditors. It has however been developed and enhanced to meet the needs and requirements of Orkney IJB.

Personnel

The senior staff employed by the respective parties to manage this protocol are as follows:

Azets

Chief Audit Executive: David Eardley, Exchange Place 3, Semple Street, Edinburgh, EH3 8BL
Tel: 0131 473 3500
Email: david.eardley@azets.co.uk

Internal Audit Associate Director: Matt Swann, Exchange Place 3, Semple Street, Edinburgh, EH3 8BL
Tel: 0131 473 3500
Email: matthew.swann@azets.co.uk

Orkney IJB

Chief Finance Officer: Pat Robinson, School Place, Kirkwall, Orkney Islands, KW15 1NY
Tel: 01856 873 535
Email: pat.robinson@orkney.gov.uk

Role

Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve the operations of Orkney IJB. It helps the Board accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

David Eardley as the Azets Director will take the role as Chief Audit Executive for Orkney IJB.

Professionalism

The internal audit activity will adhere to mandatory guidance of The Chartered Institute of Internal Auditors (CIIA) including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The CIIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the Board's relevant policies and procedures. Internal audit activity will also reflect relevant Scottish Government directions, as relevant to the Board.

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Board's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its role and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

Accountability

The Chief Audit Executive will be accountable to the Audit Committee and will report administratively to the Chief Finance Officer.

The Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive.

The Chief Audit Executive will communicate and interact directly with the Audit Committee, including between Audit Committee meetings as appropriate.

Independence and objectivity

The internal audit activity will remain free from interference by any element in the Board, including on matters of audit selection, scope, procedures, frequency, timing, or report content. This is essential in maintaining the internal auditors' independence and objectivity.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and must not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

Scope and responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Orkney IJB's governance, risk management, and internal control processes. Internal control objectives considered by internal audit include:

- Consistency of operations with established objectives and goals;
- Effectiveness and efficiency of operations and use of resources;
- Compliance with significant policies, plans, procedures, laws, and regulations ;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes, the 'audit universe', of the Board, including governance processes and risk management processes. In doing so, internal audit maintains a proper degree of coordination with external audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Board.

Annual internal audit plan

The audit year runs from 1 April to 31 March.

The Chief Audit Executive will submit an annual internal audit plan for the forthcoming year to the Audit Committee for review and approval. The plan will normally be presented to the Committee in March of each year, unless there are exceptional circumstances. The internal audit plan will detail, for each subject review area:

- The outline scope for the review
- The number of days budgeted
- The timing, including which Audit Committee the final will report will go to
- The Audit Sponsor

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management. Prior to submission to the Audit Committee for approval, the plan will be discussed with senior management. In particular, the outline scope and timing of each review will be agreed with the relevant Audit Sponsor (member of senior management).

Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Assignment Planning and Conduct

An assignment plan will be drafted as part of the annual planning process for every assignment setting out the scope, objectives, timescales, and key contacts for the assignment.

Specifically, the assignment plan will detail the timescales for carrying out the work, issuing the draft report, receiving management responses and issuing the final report. The assignment plan will also include the number and categories of the staff to be interviewed. Where appropriate, the staff to be consulted should include both the providers and the consumers of the process or service being audited.

Draft assignment plans for all audits will be sent to the Senior Management Team for consideration at the start of the year once the proposed areas for audit have been identified. The final assignment plans will be presented to the Senior Management Team.

The final assignment plans will be formally signed off by the Audit Sponsor, copied to the Chief Finance Officer and presented to the Audit Committee within the final version of the current internal audit plan. Any subsequent amendments to scope must be approved and signed off by the Audit Sponsor and Chief Finance Officer.

An email will be sent to the Audit Sponsor and Chief Finance Officer four weeks before the audit is due to commence to remind the Audit Sponsor of the agreed timing and scope of the review and to ensure that the assignment plan remains appropriate.

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the Key Contacts and/or the Audit Sponsor, as appropriate.

Reporting and Monitoring

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement. Each report will be distributed to the Audit Sponsor for management responses and comments. The draft reports will also be copied to the Chief Finance Officer.

At a minimum each internal audit report will include the following sections:

Audit scope;
Summary of findings;
Conclusions; and
Management action plan.

Draft reports will be issued by email within two weeks of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further two weeks.

The management comments and response to any report will be overseen by the named co-ordinator, approved by the Audit Sponsor and then sent to the Chief Finance Officer. Internal audit will issue the final report to the Audit Sponsor, with a copy to the Chief Finance Officer. The final report will be issued within one week of the management responses being received. Finalised internal audit reports will be presented to the Audit Committee.

The timings set out above are maximum timescales expected for each review. Tighter timescales may be agreed for a review and these will be set out in the assignment plan.

Follow-up

The internal audit activity will be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared.

Audit Committee

The Audit Committee meets regularly during the year a year. Dates for Audit Committee meetings will be provided to internal audit as soon as they are agreed.

The Chief Audit Executive and / or Internal Audit Manager will attend all meetings of the Audit Committee.

Internal audit will schedule its work so as to spread internal audit reports over the Audit Committee cycle of meetings. The annual internal audit plan will detail the internal audit reports to be presented to each Audit Committee meeting.

Finalised internal audit reports must be sent to the Chief Finance Officer at least one week before the date of each Audit Committee meeting.

The Chief Audit Executive will present specific reports to the Committee throughout its annual cycle. These reports and the expected timescales are as follows:

Output	Meeting
Audit needs assessment	February/March
Annual internal audit plan	March
Annual follow-up reports	June
Annual report	June

Status report

All meetings

The Audit Committee will meet privately with the internal auditors at least once a year.

Periodic Assessment

The Chief Audit Executive is responsible for providing a periodic self-assessment on the internal audit activity. This self-assessment will cover performance against the internal audit plan and also highlight any issues relating to the implementation or compliance with this Internal Audit Charter.

In addition, the Chief Audit Executive will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years in accordance with Public Sector Internal Audit Standards.

Review of Protocol

This protocol will be reviewed by both parties in March of each year and amended if appropriate.

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