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Agenda Item: 9

Integration Joint Board – Audit Committee.

Date of Meeting: 23 June 2021.

Subject: Internal Audit Strategy and Plan 2021/22.

1. Summary

1.1. The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

2. Purpose

2.1. To present the Internal Audit Strategy and Plan 2021/22.

3. Recommendations

The Audit Committee is invited to note:

3.1. That a comprehensive audit planning process has been undertaken by the Chief Internal Auditor for 2021/22.

It is recommended:

3.2. That the Internal Audit Strategy and Plan for 2021/22, attached as Appendix 1 to this report, be approved.

4. Background

4.1. 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.

4.2. The internal audit strategy is incorporated within the audit plan and is reviewed annually and updated as required.

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.	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.

6. Resource implications and identified source of funding

6.1. There are no resource implications associated directly with this report.

7. Risk and Equality assessment

7.1. There are no risk or equality implications associated with this report.

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. Andrew Paterson (Chief Internal Auditor), Integration Joint Board.

11. Contact details

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12. Supporting document

12.1. Appendix 1: Internal Audit Strategy and Plan 2021/22.



Internal Audit

Internal Audit Strategy and Plan 2021 to 2022

Issue date: 31 May 2021

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Introduction

The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

The Chief Internal Auditor must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations and priorities.

The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be developed and delivered in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

Internal Audit Objectives

The primary role of Internal Audit is that of an assurance function which provides an independent and objective opinion on the adequacy of the organisation's control environment. Internal audit work is designed to add value and improve an organisation's operations, in particular in evaluating and improving the effectiveness of risk management, control and governance processes. In addition to the provision of assurances, Internal Audit undertakes non-assurance work including consulting services and fraud related work.

While Internal Audit contributes to the internal control environment by examining, evaluating and reporting to management on its adequacy and effectiveness, it should be noted that management are responsible for ensuring that adequate internal control systems, both financial and non-financial, are in place and that best value is achieved.

Audit Needs Assessment

The audit plan is prepared on an annual basis and is continually reviewed. The plan may be adjusted as necessary in response to changes to the risk profile.

The audit planning process involves the following activities.

- Consultation with the Chief Officer, and Chief Finance Officer to risk assess all service areas and to identify areas of concern which would merit audit attention.
- Reviewing the IJB risk register.
- Reviewing strategic and operational plans.
- Liaison with the external auditors to co-ordinate audit work and avoid duplication of effort.
- Audit work previously undertaken, and the conclusions reached as to whether the systems examined were sound, or that there were weaknesses in the internal controls.
- Any known relevant changes in legislation and other external factors.
- Known strengths and weaknesses in the internal control system.

The audit plan details specific areas of audit which will be subject to review. Following each review, audit reports are issued in draft format, initially to provide management the opportunity to agree the factual accuracy of the audit findings. Copies of final audit reports are passed to the

Chief Officer, Chief Finance Officer, External Audit and to any other senior officer of the IJB who is responsible for acting on the recommendations.

The outcomes of audit reports feed into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee.

The audit plan is prepared each year by the Chief Internal Auditor and is approved by the Audit Committee at the start of the financial year. The plan includes sufficient flexibility to allow the Chief Internal Auditor to direct internal audit resources as required so that new local or national issues and risks can be appropriately reviewed, where considered necessary.

Whilst managing the risk of fraud and corruption is the responsibility of senior management, internal audit work is planned to consider and to minimise the risks and exposures that could allow fraud or corruption to occur.

Internal Audit Provision

The role of IJB Chief Internal Auditor will be fulfilled by the Orkney Islands Council (OIC) Chief Internal Auditor for a five-year period from April 2021.

OIC Internal Audit Section and Azets, the internal audit provider for NHS Orkney, will provide internal audit resource to support completion of the IJB internal audit plan.

Given the range and complexity of areas to be reviewed, it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Member of the Institute of Internal Auditors), CCAB (Consultative Committee of Accountancy Bodies qualified accountant) or equivalent and be suitably experienced.

Internal auditors are required to conform to the Codes of Ethics of the professional accountancy bodies of which they are members and to the Code of Ethics and standards included within the PSIAS. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

Internal Audit is independent and does not have any operational responsibilities. It does not 'own' any system or have any responsibility for any aspect of work subject to audit. Auditors are not assigned assurance work in areas where they have had any recent operational or other involvement.

Internal Audit Plan 2021 to 2022

Auditable Area	Risk Score	Last Audit	2021/22 Days	2022/23 Days	Outline Scope
Strategic Commissioning Plan	96	January 2020			
Integration Scheme	94	November 2018			
Financial Planning Monitoring and Reporting	130	August 2020			
Risk Management	118		5		Review of arrangements for IJB risk management and how this links to OIC and NHSO
Communication and Engagement	114				
Performance Management	152			5	Review the annual performance reporting procedures
Locality Planning	144	October 2019			
Corporate Governance	98	February 2021			
Workforce Planning	118	June 2017			
Business Continuity and Disaster Recovery	132			5	Review of arrangements for business continuity and disaster recovery
Information Governance and Data Sharing	136		5		Review of data handling procedures and data sharing agreements

Internal Audit Management

Management Task	Number of days
Audit Committee Meetings	4
Internal Audit Planning	1
Internal Audit Annual Report	1
Follow up of Audit Actions	1
Administration	1

Performance Management and Risk Software (Pentana Risk) is used to track the implementation of agreed internal audit recommendations. The progress on implementing agreed actions will be checked via this system on a three-monthly basis and actions assessed as not complete and overdue are reported to the Management Team.

Internal Audit will review the assessments provided by responsible officers and where any recommendations have been marked as complete, will complete checks to confirm the assessments. Where it is confirmed that actions have been completed, the recommendations will be archived on the system.