



ORKNEY
ISLANDS COUNCIL

Item: 2

Monitoring and Audit Committee: 24 September 2026.

Integration Joint Board - Internal Audit Annual Report and Opinion.

Report by Chief Internal Auditor.

1. Overview

- 1.1. This report presents the Integration Joint Board Internal Audit Annual Report and Opinion, for noting.
- 1.2. 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. This has subsequently been extended for a further two-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.
- 1.3. The Internal Audit Annual Report and Opinion, attached as Appendix 1 to this report, was presented to the Integration Joint Board's Performance and Audit Committee on 24 June 2026 for scrutiny. In accordance with the Integration Joint Board's Internal Audit Reporting Protocol, the Annual Internal Audit Report should be shared with the partner bodies.
- 1.4. 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.
- 1.5. On the basis of the audit work performed in 2025/26, the Internal Auditor's opinion is that the Integration Joint Board has a framework of controls in place that provides Limited assurance regarding the organisation's governance framework, related internal controls, and the management of key risks.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Note the Internal Audit Annual Report and Opinion for 2025/26 in respect of the Integration Joint Board, attached as Appendix 1 to this report, which confirms that, in respect of areas subject to audit review during 2025/26, it was found that there was a limited framework of controls operating within the Integration Joint Board.

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Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** The Internal Audit Annual Report and Opinion plays a crucial role in enhancing corporate governance by providing an independent and objective assessment of the organisation's internal controls, risk management, and governance processes.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - ☐ Growing our Economy.
 - ☐ Strengthening our Communities.
 - ☐ Developing our Infrastructure.
 - ☐ Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - ☐ Cost of Living.
 - ☐ Sustainable Development.
 - ☐ Local Equality.
 - ☐ Improving Population Health.
9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.

15. Cost of Living: None directly related to the recommendations in this report.

List of Background Papers

Integration Joint Board's Internal Audit Reporting Protocol.

Appendix

Appendix 1: IJB Internal Audit Annual Report and Opinion.



Internal Audit

Internal Audit Annual Report and Opinion

Issue date: 29 May 2026

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1. Introduction

- 1.1. The Global Internal Audit Standards for the UK Public Sector require that the Chief Internal Auditor must prepare an overall conclusion about the effectiveness of governance, risk management and control at least annually in support of wider governance reporting. The overall conclusion must encompass governance, risk management and control.
- 1.2. The purpose of this document is to report on the Internal Audit work completed during 2025/26 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. 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, this was extended for a further two year period on 22 April 2026.
- 1.4. The 2025/26 internal audit strategy and plan was approved by the IJB Performance and Audit Committee on 19 March 2025. Audit work is undertaken in partnership with the 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 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 most recently refreshed and approved at the Board meeting on 30 April 2025. The Strategy has been compiled using both the NHSO 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 IJB'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 NHSO 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 IJB 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 2025/26, which was approved by the Performance and Audit Committee on 19 March 2025, defined the purpose, authority and responsibility for the Internal Audit Service. The Charter conformed to the Global Internal Audit Standards for the UK Public Sector.
- 5.5. Internal Audit has organisational independence, and this independence was maintained throughout 2025/26. 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 2025/26 was approved by the Performance and Audit Committee on 19 March 2025. A risk-based planning exercise is carried out to determine priorities and to establish objectives. This helps to direct audit work 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 2025/26, my opinion is that the IJB has a framework of controls in place that provides **Limited** assurance regarding the IJB's governance framework, related internal controls, and the management of key risks.
- 6.2. Numerous specific control weaknesses were identified during an audit performed during 2025/26 of Workforce Planning, indicating that controls in this area are inadequate or ineffective.
- 6.3. I confirm that there were no instances of fraud identified from the audit work conducted for the IJB 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 2025/26 included audits of Strategic Planning and Links with Locality Groups and Workforce Planning. The table below shows the auditable areas considered as part of the annual planning process.
- 7.2. The Strategic Planning and Links with Locality Groups audit has been completed and was reported to the Performance and Audit Committee in March 2026. The Workforce Planning, audit has also been completed and will be presented to the Performance and Audit Committee in June 2026.

Auditable Area	Last Audit	23/24 Days	24/25 Days	25/26 Days	Outline Scope
Strategic Commissioning Plan.	Mar 2025.		5.		Review arrangements for providing directions to the OIC and NHSO, and that compliance with these is monitored and reported.
Integration Scheme.	Nov 2018.				Review the various elements of the Integration Scheme and obtain evidence that these are being complied with.
Financial Planning Monitoring and Reporting.	May 2025.		5.		Review arrangements in place for overall financial planning of the IJB. Review the reporting framework, and how financial performance is monitored.
Risk Management.	Jan 2022.				Review the risk management framework to ensure it is fit for purpose and ensures the Board are aware of the potential risks affecting the IJB and its ability to deliver on the strategic plan.
Internal Communication & Engagement.	Sept 2024.	5.			Review of strategy and policies for communication and engagement with partner bodies and staff.
External Communication & Engagement.	Jun 2024.	5.			Review of community communication and engagement strategies and policies.
Performance Management.	Mar 2023.				Review the annual performance reporting procedures
Strategic Planning and Links with Localities.	Feb 2026.			5.	Review the IJB planning process and how it links with the needs of individual localities and community groups.
Corporate Governance.	Feb 2021.				Review of governance, standing orders, reporting, provision of training and information to board members. Review a sample of the key elements of the Code of Corporate Governance.
Workforce Planning.	May 2026.			5.	Review the position with workforce planning in relation to partners and the strategic plan.
Business Continuity and Disaster Recovery.					Review of business continuity and disaster recovery arrangements.
Information Governance and Data Sharing.	Feb 2022.				Review information sharing agreements and compliance with GDPR.

8. Quality Assurance and Improvement Programme

- 8.1. Internal Audit monitors its performance to gauge the effectiveness of the service and to inform future service improvements.
- 8.2. The Global Internal Audit Standards for the UK Public Sector has a specific requirement for the Internal Audit Service to have in place a quality assurance and improvement programme. The programme must cover all aspects of the internal audit function and includes both internal and external quality assessments
- 8.3. The internal assessment is now annual, and the next review will be performed over the coming months. The external assessment is on a five-year cycle and our last external assessment was done in 2022 with the next due in 2027/28.
- 8.4. Action plans are produced following each assessment and actions are tracked to completion.

9. Audit Action Progress

- 9.1. Progress with internal audit actions is monitored through the Council's performance management system Ideagen Risk Management. The system sends out automated email reminders to officers responsible for updating each action at the end of each reporting period. Where no update has been made for an action for a particular reporting period, this is noted on the system.
- 9.2. The table below shows which audits the actions are associated with and when the audits were performed, it also provides more detail on the individual actions, owners and target dates as well as the current position with implementation of the actions.
- 9.3. There are no outstanding actions from any internal audits prior to 2023/24

Internal Communications Audit 2023/24

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
2 Following action of the Communications Strategy (per MAP1.1), documentation to support communications strategy should be considered.	Grade 3	Internal communications forms part of the Communications and Engagement Strategy coming to Policy and Resources on 26 November 2024 and will include reference to the potential future development of protocols and templates with those protocols and templates to be developed in the first half of 2025.	Communications Team Manager (OIC).	31 March 2025	Ongoing.
		Update: This action has now been incorporated into Orkney Islands Council's Internal Communications Delivery Plan and a target date extension to December 2026 is requested.		Extended to 31 December 2026.	
7 OIC and NHS Orkney should determine the best way to seek feedback from staff regarding internal communications. Actions plans should track feedback received and actions taken, with key improvements shared back with employees.	Grade 2	Orkney Islands Council Internal communications forms part of the Communications and Engagement Strategy coming to Policy and Resources on 26 November 2024 and will include reference to the potential future development of feedback mechanisms with those mechanisms to be developed in the first half of 2025.	Communications Team Manager (OIC).	31 March 2025	Ongoing.
		Update: This action has now been incorporated into Orkney Islands Council's Internal Communications Delivery Plan and a target date extension to December 2026 is requested.		Extended to 31 December 2026.	

Financial Planning Monitoring and Reporting Audit 2024/25

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
1 We recommend that future detailed financial recovery plans are linked to the setting of annual budgets and include details of plans to reduce spending for both OIC and NHS commissioned services as appropriate.	Medium	A detailed Recovery Plan will be presented to the Integration Joint Board in September 2025. Details of Recovery Plans will be included in the budget setting procedure to be developed.	Chief Finance Officer.	30 September 2025.	Complete.
		Update: The Financial Recovery Plan was approved by the IJB on 22 April 2026.			
2 We recommend that an action plan is developed to build on the work undertaken at the development sessions. This action plan should detail how the recommendations and areas for improvement identified will be achieved with a corresponding responsible officer and completion dates. The action plan should be presented to the IJB Performance and Audit Committee for scrutiny and to report on progress.	Medium	An action plan will be developed and presented to the Performance and Audit Committee.	Chief Officer.	30 September 2025.	Overdue work ongoing.
		Update: Given the recent approval of the Financial Recovery Plan and Budget for 2026/27 the intention is to revisit the Medium Term Financial Plan later in 2026/27. This will enable the alignment of the actions contained within the Accounts Commission – Integration Joint Boards – Finance and Performance 2024 report recommendations along with the Medium Term Financial Plan.			

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
4 In order to ensure there are clear business continuity arrangements in place for the absence of key roles, a business continuity plan should be developed and written procedures should be created for the Chief Finance Officer role to support those new to the post or for those covering the post in the event of a vacancy.	Medium	A Business Continuity Plan will be developed. Procedures will be developed for each member of the Senior Management Team.	Chief Officer.	30 September 2025. Extended to 31 January 2026.	Complete.
5 The budget setting process procedure, including expected timescales, should be set out within the Integration Scheme which is due for review in 2026 along with other recommendations referred to within the report that have implications for procedural arrangements.	Medium	The budget setting procedure will be included when NHSO and OIC review the Orkney Integration Scheme.	Chief Executive, NHSO. Chief Executive, Orkney Islands Council.	31 May 2026.	Ongoing.
		Update: The Chief Finance Officer will ensure this is included within the Orkney Integration Scheme once NHS Orkney and Orkney Islands Council commence their review of the Scheme.			

Strategic Planning and Links with Localities Audit 2025/26

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
1 We recommend that the IJB make use of the recently developed Strategies, Policies and Plans Log to review dependencies between different plans and strategies and inform coordinated planning timelines, including supporting planning activities to avoid duplication and ensure planning cycles are synchronised as much as possible.	Low	Following discussion with Internal Audit, the Log will be updated to include the relevant information.	Chief Officer.	31 March 2026.	Complete.
2 We recommend that reinstating Orkney Opinions is explored with relevant officers or for an update to the strategy which reflects alternative engagement mechanisms that encourage a broad cross-section of the community, including people with disabilities, carers and others who might face barriers taking part in consultation.	Low	The Policy and Performance Manager will speak to the Orkney Opinion/Orkney Matters lead from the Community Planning Partnership to explore this.	Policy and Performance Manager.	31 March 2026.	Complete.

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
3 We recommend that a review of Local Place Plans is undertaken to assess coverage of health and social care arrangements for localities. This should be supported by the identification of appropriate locality leads within the membership of the Strategic Planning Group, as is set out in the group's terms of reference as well as an annual agenda item covering Local Place Plans. Alternatively, the terms of reference should be updated to reflect current practice.	Medium	Identify a Lead Officer for the Isles and Mainland. The Lead Officers will take the responsibility of ensuring annual checking with Local Place Plans. An annual agenda item for the Joint Isles Health and Care Meeting and the Joint Mainland Health and Care meetings will specifically focus on Place Plans.	Chief Officer.	31 March 2026.	Complete.
4 It is recommended that future Strategic Plans include a clear, actionable promotion plan and involve the Communications Teams early to ensure maximum reach and impact.	Low	The Communication Leads at NHS Orkney and Orkney Islands Council will be invited to Strategic Planning Group sessions where there are agenda items discussing the development the new Strategic Plan.	Chief Officer.	31 March 2028.	Complete.

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
5 We recommend aligning the colour coding with narrative in the updates. Actions and milestones that are behind schedule or at significant risk of failing to deliver should include a course of action within the narrative where possible, in addition to the reasons provided. An update on any such course of action should be provided at each IJB Performance and Audit Committee meeting.	Low	Prior to the Tracker being considered at Committee this will be presented to the Senior Management Team to ensure better quality checking and confirmation of RAG status.	Policy and Performance Manager.	31 March 2026.	Complete.

Appendix 1 – Definition of Opinions

Audit Opinions

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