



# Western Isles Integration Joint Board

## Internal Audit Annual Report 2023/24

May 2024





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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 the Western Isles Integration Joint Board during the year ended 31 March 2024, including our overall opinion on the Western Isles Integration Joint Board 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 Internal Auditor of the Western Isles Integration Joint Board, we are required 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 2023/24 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 Western Isles Integration Joint Board 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 are based on the conditions as they existed at the time of the audit. The conclusions are only applicable for the entity examined. The evidence gathered meets professional audit standards and is sufficient to provide senior management with appropriate assurance from the work of internal audit.

## Internal Audit Opinion

In our opinion, Western Isles Integration Joint Board has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives.

**Azets**

**May 2024**

# 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

Our strategic and annual internal audit plans are designed to provide the Audit Committee with assurance that Western Isles 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 Western Isles Integration Joint Board'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 in March 2023.

The Annual Internal Audit Plan is subject to revision throughout the year to reflect changes in the Western Isles Integration Joint Board's risk profile. However no changes were made to the 2023/24 plan.

We 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

The 2023/24 Internal Audit Plan comprised 30 days of audit work and we completed the full programme. A comparison of actual coverage against the 2023/24 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 the Western Isles Integration Joint Board and no restrictions were placed on our work by management.



We did not rely on the work performed by a third party during the period.

## Reports

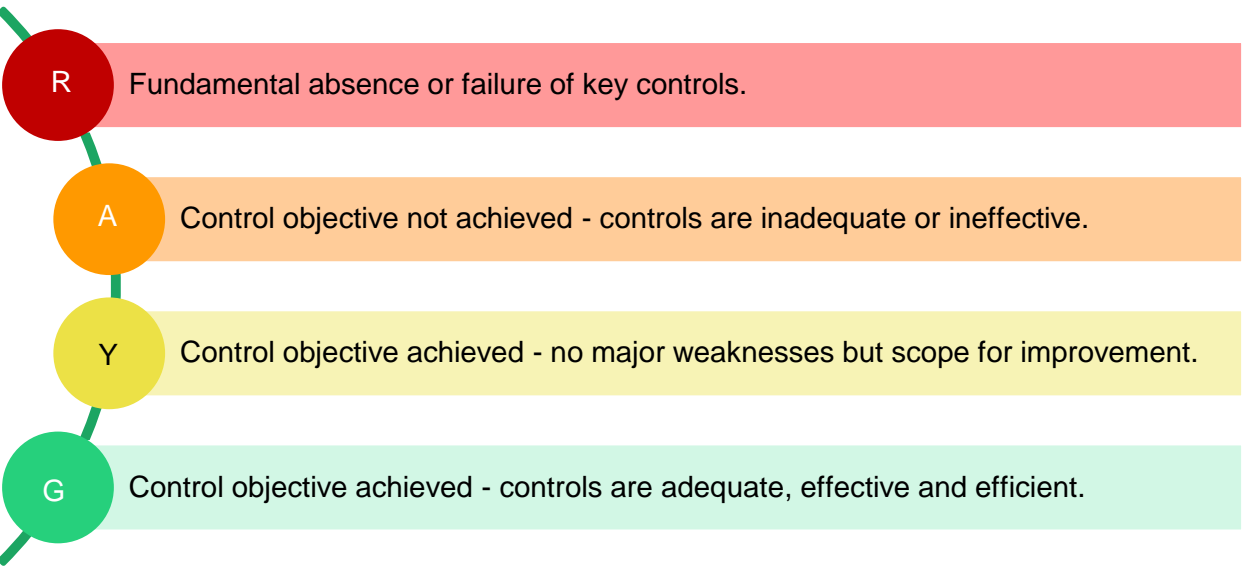
We prepared a report from each review and presented these reports to the Audit Committee. The reports are summarised in the table below.

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 significant recommendations that were not accepted by management.

### Summary of reports by control assessment and action grade

| Review               | Control objective assessment  | No. of issues per grading |   |   |   |
|----------------------|---|---------------------------|---|---|---|
|                      |   | 4                         | 3 | 2 | 1 |
| Financial Planning   |  |                           | 2 | 4 |   |
| Corporate Governance |  |                           |   | 2 |   |

### Control objective assessment definitions

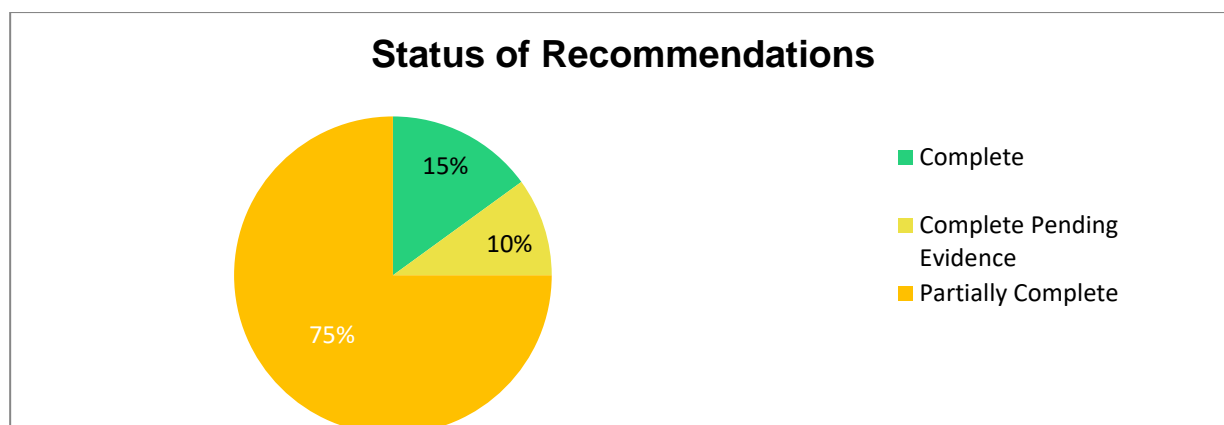


## Management action prioritisation definitions

|   |  |
|---|--|
| 4 | •Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.                                |
| 3 | •High risk exposure - absence / failure of key controls that create significant risks within the organisation.   |
| 2 | •Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.                                |
| 1 | •Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues. |

## Progress in implementing previous internal audit actions

We reviewed 20 actions over the course of the year and found three (15%) were complete, two (10%) were complete pending evidence and 15 (75%) were partially complete. As such limited progress has been made completing open actions in the period and further work is required to ensure the completion of outstanding actions.



## Key themes from audit work in 2023/24

### Financial Planning

Our review of financial planning identified that there are clear processes in place for annual financial planning and review of budgets. However, at the time of the audit the development of the 2024/25 financial plan was delayed due to the cyber-attack on the Comhairle in October 2023. At the point of fieldwork there had not been any in year monitoring of Adult Social Care budgets as the systems were still being rebuilt, impacting the information available to the Chief Finance Officer. Further, we identified there had been no reporting to the IJB Board regarding progress towards a resolution of the issues arising from the cyber-attack. At the time of writing we note work remains ongoing to address the issues as a result of the cyber-attack.



## **Corporate Governance**

Our audit of corporate governance identified that there is an effective reporting framework in place between the Board and Audit and Risk Committee, and that the Board's Terms of Reference clearly outlines the Board's roles and responsibilities. However, we identified the need for the Board and Audit and Risk Committee to complete an annual self-assessment in addition to the short assessments undertaken at the conclusion of meetings; feedback provided during the course of the audit suggested areas of concern from members which were not clearly reflected in the minutes reviewed.

## **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 2023/24 internal audit review were independent of the Western Isles Integration Joint Board and their objectivity was not compromised in any way.

## **Conformance with Public Sector Internal Audit Standards**

Having considered the impact of Covid-19, as outlined above, 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 external assessment is provided at Appendix 2.

# Appendix 1 – Planned v actual days 2023/24

| Ref and Name of report                                    | Planned Days | Actual Days |
|---|--------------|-------------|
| Financial Planning  | 10           | 10          |
| Corporate Governance                                      | 10           | 10          |
| Follow Up   | 2            | 2           |
| Audit Needs Assessment/Annual Plan Preparation            | 1            | 1           |
| Audit Committee Planning and Attendance                   | 4            | 4           |
| Contract Management including liaison with External Audit | 2            | 2           |
| Annual Internal Audit Report                              | 1            | 1           |
| <b>Total</b>  | <b>30</b>    | <b>30</b>   |

# Appendix 2 – Summary of Quality Assurance Assessment

As part of our regular quality assessment procedures, we commissioned an external quality assessment (EQA) against the Institute of Internal Auditors (IIAs) International Professional Practices framework (IPPF) and, where appropriate, the Public Sector Internal Audit Standards (PSIAS).

We are pleased to disclose the outcome of this assessment as we believe it is important to provide you with assurance that the service you receive is of a high quality and fully compliant with internal audit standards. Outlined below are extracts from our most recent external quality assessment undertaken in February 2023.

## External Quality Assessment summary

### *Executive Summary*

*I am pleased to report that there are no material governance, methodology or practical issues that are impacting Azets Risk Assurance's overall conformance with the Institute of Internal Auditors (IIAs) International Professional Practices framework (IPPF).*

*Internal Audit have achieved the highest level of conformance with the Standards, as well as the Definition, Core Principles, and the Code of Ethics, which form the mandatory elements of the IPPF, the global standard for quality in Internal Auditing. The Institute describe this as "Generally Conforms".*

*This is an excellent result and is based on an extensive EQA covering the team's approach, methodology, processes, and an extensive sample of engagement files. The EQA assessor is an experienced, former Chief Assurance Officer and current Audit Committee Chair.*

### *Conformance Opinion*

*The IPPF/PSIAS includes the Mission and Definition of Internal Auditing, the Core Principles, Code of Ethics, and International Standards. There are 64 fundamental principles to achieve, with 118 points of recommended practice.*

*I am delighted to confirm that Azets Risk Assurance generally conform with 62 of these 64 fundamental principles. This is an excellent result. Furthermore, there are no areas of 'partial' or 'non-conformance' with any of the remaining fundamental principles.*

***The overall assessment resulting from the EQA is that Azets Risk Assurance "generally conforms to the International Professional Practices Framework". The term "generally conforms" is used by the IIA to represent the highest level of achievement and performance.***

*I include a summary of Azets Risk Assurance's conformance to these fundamental principles below. Overall, I believe that Azets Risk Assurance has achieved an excellent performance given the breadth of the IPPF, and the diverse work and activity the team undertakes.*

| Summary of IIA Conformance                  | Standards        | N/A | Does not Conform | Partially Conforms | Generally Conforms | Total |
|---|------------------|-----|------------------|--------------------|--------------------|-------|
| Definition of IA and Code of Ethics         | Rules of conduct |     |                  |                    | 12                 | 12    |
| Purpose                                     | 1000 - 1130      |     |                  |                    | 8                  | 8     |
| Proficiency and Due Professional Care       | 1200 - 1230      |     |                  |                    | 4                  | 4     |
| Quality Assurance and Improvement Programme | 1300 - 1322      | 1   |                  |                    | 6                  | 7     |
| Managing the Internal Audit Activity        | 2000 - 2130      |     |                  |                    | 12                 | 12    |
| Engagement Planning and Delivery            | 2200 - 2600      | 1   |                  |                    | 20                 | 21    |
| Total                                       |                  | 2   | 0                | 0                  | 62                 | 64    |

## Our response

The review identified a number of areas for future consideration to further enhance our internal audit practices. We welcome these findings and as such, a detailed action plan will be put into place to address the areas for further development.

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