



Western Isles Integration Joint Board

Strategic Internal Audit Plan

June 2022



Western Isles Integration Joint Board

Strategic Internal Audit Plan 2022/23

INTRODUCTION	2
INTERNAL AUDIT APPROACH	3
DELIVERING THE INTERNAL AUDIT PLAN	5
PROPOSED INTERNAL AUDIT PLAN	6
APPENDIX 1 – INTERNAL AUDIT PLAN 2022/23	7
APPENDIX 2 – CORPORATE RISK REGISTER	9
APPENDIX 3 – INTERNAL AUDIT CHARTER	10

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

Our strategic internal audit plan is designed to provide Western Isles Integration Joint Board, 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 continuous improvement of governance, risk management and internal control processes through the implementation of this plan.

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

The PSIAS require the Chief Internal Auditor to produce a risk-based plan, which takes into account Western Isles Integration Joint Board's risk management framework, its strategic objectives and priorities and the views of senior managers and the Audit Committee. 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 strategic internal audit plan for the period 2022/23.

Audit Committee action

The Audit Committee are asked to consider the draft Internal Audit Plan and suggest any further areas for consideration prior to finalising the 2022/23 Internal Audit Plan.

Internal audit approach

Supporting the Governance Statement

Our Internal Audit Plan is designed to provide Western Isles Integration Joint Board, 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 by using a systematic and disciplined evaluation approach.

Risk based internal auditing

Our methodology links internal audit activity to the organisation's risk management framework. The main benefit to Western Isles Integration Joint Board is a strategic, targeted internal audit function that focuses on the key risk areas and provides maximum value for money.

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

- Management has identified, assessed and responded to Western Isles Integration Joint Board'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 being properly classified and reported.

We have reviewed Western Isles Integration Joint Board's risk management arrangements and have confirmed that they are sufficiently robust for us to place reliance on the risk register as one source of the information we use to inform our audit needs assessment.

Audit needs assessment

Our 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 involved the following activities:

- Reviewing Western Isles Integration Joint Board's risk register,
- Reviewing Western Isles Integration Joint Board's corporate operational plan,
- Reviewing previous internal audit reports,
- Reviewing external audit reports and plans,
- Reviewing the Western Isles Integration Joint Board's website and internal policies and procedures,
- Utilising our experience at similar organisations, and
- Discussions with senior management and the Audit Committee.

The plan has also been cross-referenced to the Corporate risk register as at December 2021.

Best value

Our work helps Western Isles Integration Joint Board to determine whether services are providing best value. 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.

Liaison with external audit

We seek to complement the areas being covered by Western Isles Integration Joint Board's external auditors, Audit Scotland. We welcome comments on the internal audit plan from Audit Scotland at any time. This will help us to target our work in the most effective manner, avoiding duplication of effort and maximising the use of total audit resource.

Delivering the internal audit plan

Internal Audit Charter

At Appendix 3 we have set out our Internal Audit Charter, which details how we will work together to deliver the internal audit programme.

Internal Audit team – indicative staff mix

Grade	2022/23 Input (days)	Grade mix (%)
Partner / Director	3	10%
Manager	8	21%
Auditors	21	69%
Total	30	100%

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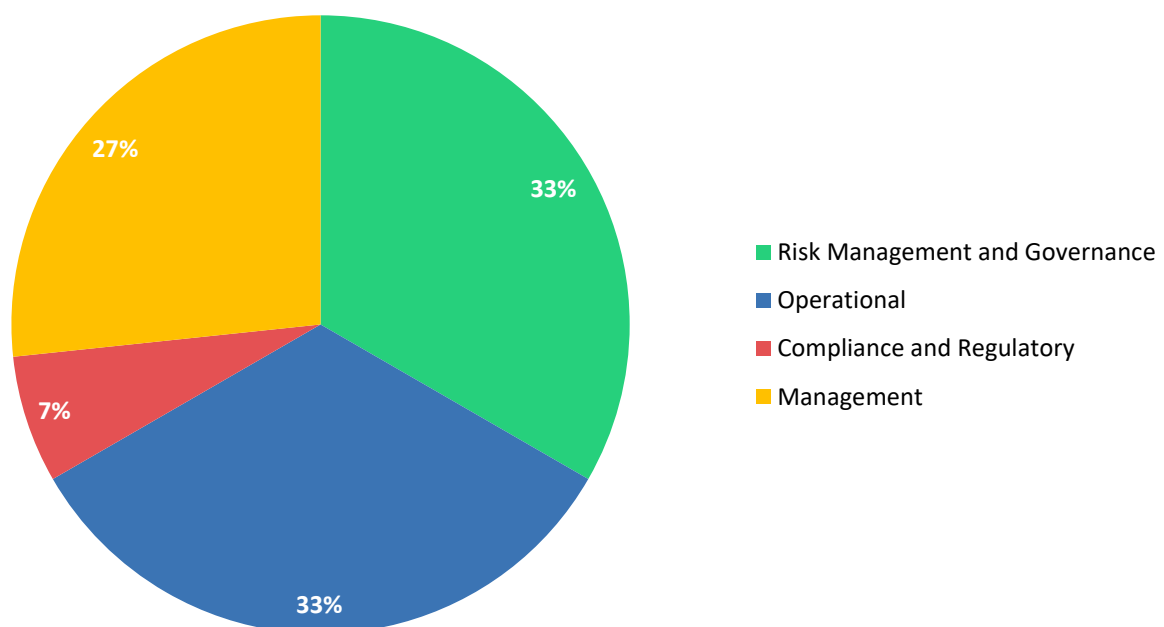
Proposed Internal Audit Plan

Appendix 1 presents the internal audit plan for 2022/23. The Internal Audit plan is based on our risk and audit needs assessment as at June 2022. As our approach is based on risk, the proposed plan is also cross-referenced to the corporate risk register, which is included at Appendix 2 for reference.

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.

The table below demonstrates how the internal audit days for 2022/23 are allocated across each area of the audit universe. The total days are audit days based on the agreed` day rate.

Allocation of audit days



Appendix 1 – Internal Audit Plan 2022/23

Audit area	2022/23	Risk Register Ref	Audit objectives
A. Risk Management and Governance			
A1. Strategic Planning	10	IJBSR1, IJBSR4, IJBSR7	A review of the strategic planning arrangements in place within Western Isles IJB to ensure plans are sufficiently clear, can be monitored and are informed by stakeholder engagement. The review will also review whether roles and responsibilities for strategic planning are clearly defined and assigned to individuals.
Subtotal A:	10		
B. Operational			
B1. Performance Management	10	IJBSR6	A review of the performance management framework considering the effectiveness of the arrangements in place to monitor the Western Isles IJB Strategic Objectives, including the reporting arrangements in place.
Subtotal B:	10		
C. Compliance and regulatory			
C.1 Follow-up	2	All	Biannual update to confirm that management actions have been implemented as agreed.
Subtotal C:	2		
D. Management			
D1. Audit needs assessment / annual plan preparation	1		Annual audit plan
D2. Audit Committee planning and attendance	4		Preparation and attendance at four audit committees per annum
D3. Contract management including liaison with external audit	2		Liaison meetings, progress updates and other general contract management

Audit area	2022/23	Risk Register Ref	Audit objectives
D4. Annual internal audit report	1		Containing our annual opinion on governance, risk management and internal control.
Subtotal D:	8		
TOTAL	30		

Appendix 2 – Corporate Risk Register

As part of our audit needs assessment, we reviewed the Corporate Risk Register (as at December 2021) to consider auditable areas against identified risks.

Risk Code	Strategic Risk Event	Previous	Current	Target
IJBSR1	The implementation of the strategic plan does not result in improved outcomes for service users (note pandemic footing).	12	9	6
IJBSR2	Organisational, professional and cultural barriers prevent us from integrating front-line teams.	12	9	6
IJBSR3	Locality Planning structures do not take hold or improve connections between local professionals and communities.	16	12	6
IJBSR4	The increase in demand for health and social care services is greater than anticipated.	16	12	6
IJBSR5	Unanticipated service pressures create an in-year overspend.	16	12	9
IJBSR6	Change management projects fail or have unintended consequences / Service redesign is not implemented.	16	12	6
IJBSR7	Ineffective governance arrangements are in place to provide assurance that the IJB's statutory duties are being met.	3	3	3
IJBSR8	Recruitment and retention challenges within the Partnership create service stress.	20	16	9
IJBSR9	The IJB budget is insufficient to meet its statutory obligations.	16	12	9
IJBSR10	Clinical and care governance arrangements fail during service redesign and service transitions.	16	12	8
IJBSR11	Impact of Covid 19 Pandemic inhibits Transformational Change.	12	12	6

Appendix 3 – Internal Audit Charter

The mission for internal auditing is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition

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

Aim

The aim of this Charter is to set out the management by all parties of the internal audit process. The Charter sets out the context of the internal audit function, including the place of the Audit Committee, the key personnel, timescales and processes to be followed for each internal audit review.

Role

The internal audit activity is established by the Board of Directors or oversight body (hereafter referred to as the Board). The internal audit activity's responsibilities are defined by the Board as part of their oversight role.

Professionalism

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Core Principles of Professional Practice 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 IIA's Practice Advisories, Implementation Guidance, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to Western Isles Integration Joint Board's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

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 organisation'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 roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

Accountability

The Chief Internal Auditor will be accountable to the Audit Committee and will report administratively to the Chief Financial Officer.

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

The Chief Internal Auditor 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 organisation, including 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, they will not implement internal controls, develop procedures, install systems, manage risks, prepare records, or engage in any other activity that may impair internal auditor's judgment.

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 not be unduly influenced by their own interests or by others in forming judgments.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity. Any interference experienced should be disclosed by the Chief Audit Executive to the Board and the implications discussed.

Scope and responsibility

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

- Consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment 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.
- Safeguarding of assets.

Internal Audit is responsible for evaluating all processes ('audit universe') of Western Isles Integration Joint Board, including governance processes and risk management processes. In doing so, internal audit maintains a proper degree of coordination with external audit and where practical other assurance providers.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. 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 Western Isles Integration Joint Board.

Annual internal audit plan

The audit year runs from 1 April to 31 March.

At least annually, the Chief Audit Executive will submit to the audit committee an internal audit plan for review and approval. 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 review sponsor.

The Chief Audit Executive will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

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 appropriate 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 prior to the start of 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 name of the staff member who will be responsible for the audit (review sponsor) and the name of any key staff members to be contacted during the review (key audit contact).

The assignment plan will be agreed with the review sponsor and the key audit contact (for timings) before the review starts.

Reporting and Monitoring

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the key contact and/or review sponsor, as appropriate.

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed to the review sponsor and key contacts identified in the assignment plan for management responses and comments.

Draft reports will be issued by email within 15 working days of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further 15 days. The management comments and response to any report will be overseen by the review sponsor. Internal Audit will make time after issuing the draft report to discuss the report and, if necessary, meet with the review sponsor and/or key contact to ensure the report is factually accurate and the agreed actions are clear, practical, achievable and valuable.

The internal auditors will issue the final report to the review sponsor. The final report will be issued within 10 working days of the management responses being received. Finalised internal audit reports will be presented to the Audit Committee. Finalised internal audit outputs must be in the hands of the Committee Administrator by prescribed dates annually.

The working days set out above are maximum timescales and tighter timescales may be set out in the assignment plan.

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

Audit Committee

The Audit Committee meets monthly. Dates for Audit Committee meetings will be provided to internal audit as soon as they are agreed. The Chief Internal Auditor 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 reasonably evenly over Audit Committee meetings. The annual internal audit plan will detail the internal audit reports to be presented to each Audit Committee meeting.

The internal auditor will generally present specific reports to the committee as follows:

Output	Meeting
Annual internal audit plan	July
Follow-up report	To be confirmed with management
Annual report	May
Progress 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 as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

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

Review of Charter

This Charter will be reviewed by both parties each year and amended if appropriate.

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