IJB Audit & Risk Committee 03.06.26
Agenda Item: 5.2.4
Purpose: For Decision

Western Isles Integration Joint Board

Internal Audit Report 2025/26

Corporate Governance

April 2026

Review Sponsor: Emma MacSween, Interim Chief Officer

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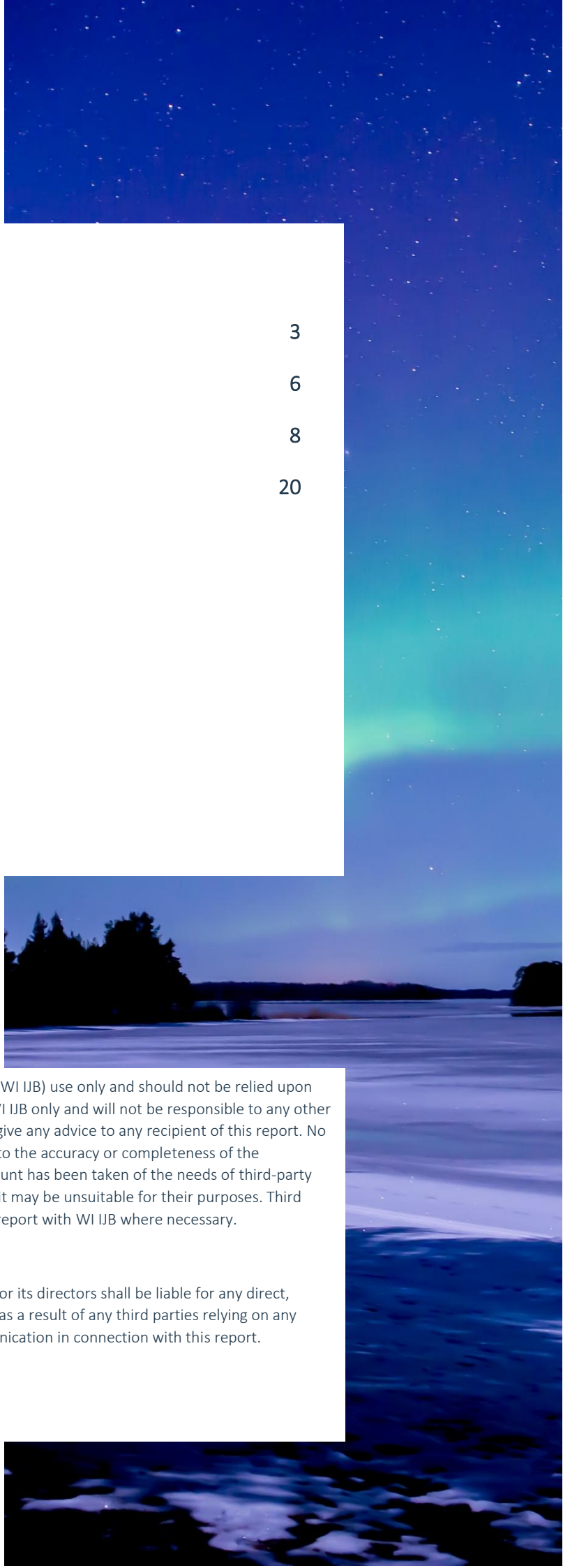

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Executive Summary

Conclusion

Audit Rating	Substantial Improvement Required

Our review has assessed the controls currently in place to maintain effective governance arrangements and noted several core documents, such as the Integration Scheme, Communications Strategy and Scheme of Delegation have not been reviewed in line with requirements. In addition, key controls have not been operating over the past 12 months, for example, Board and ARC meetings not taking place. Discussions with the Interim Chief Officer and Corporate Business Manager demonstrated that senior management are fully aware of these gaps and plans are in place to address these. At the time of fieldwork, we confirmed that work is underway to address some of the existing challenges, but significant work is still required.

During our review, we observed clear failures of governance during 2025, where it would be reasonable to assume that the Audit & Risk Committee (ARC) could not have carried out its governance responsibilities for most of the year. We confirmed the ARC only met twice during the year, in March and November 2025 due to issues in securing the quoracy of meetings, this contributed to a 14-month period without a detailed review of the risk register, leading to significant gaps in oversight and scrutiny of key risks. Additionally, the Board also did not convene for five months over the period June to November 2025.

Our assessment of the control environment also highlighted that, where controls do exist, many have not been reviewed or refreshed in recent years. As such, they may no longer align with the current strategic direction of the IJB. A Business Cycle was developed for 2025/26 to support the review and enhancement of these controls, with work ongoing at the time of our fieldwork.

Collectively, these issues underscore the need to strengthen governance processes and establish contingency arrangements to protect critical functions and ensure that the IJB and its governance bodies can reliably meet their statutory and oversight responsibilities.

Background and scope

Corporate Governance is concerned with the structures and processes for decision making and accountability, controls, and behaviour at the top of organisations. Corporate Governance is the process and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation towards the achievement of its objectives.

In the UK, best practice on corporate governance is articulated within the UK Corporate Governance Code, which although designed primarily for private companies have relevance to the public sector. Public bodies however have a number of additional areas to consider including:

- The higher level of accountability associated with spending public monies;
- Greater sensitivity and public interest over conduct, and the handling of
- any issues; and
- The need to ensure alignment with the Scottish Government's policy
- decisions.

Good governance should be demonstrated through a clear commitment to effective public performance reporting on the quality of the services being delivered and future service delivery.

It is important that structures are robust to ensure strategic and operational activities are subject to appropriate scrutiny and to facilitate effective, timely decision-making across the organisation.

We have reviewed the corporate governance arrangements in place to ensure information was being presented, reviewed, and challenged by the Board and governance committees.

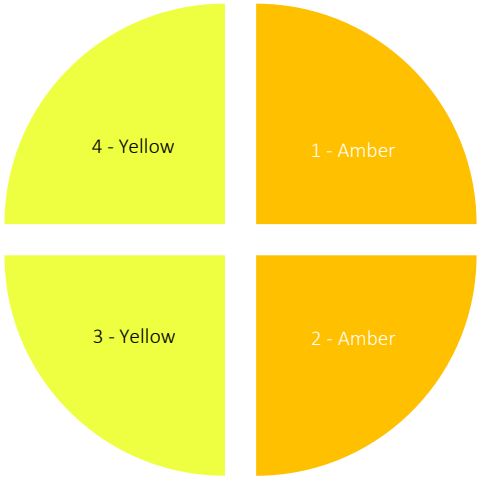
Key Contacts and Audit Team

Key Contacts	Audit team
Michelle McPhail, Corporate Business Manager	*Stephanie Hume, Audit Director* *Jamie Fraser, Audit Manager* *Kyle McGuiness, Audit Senior*

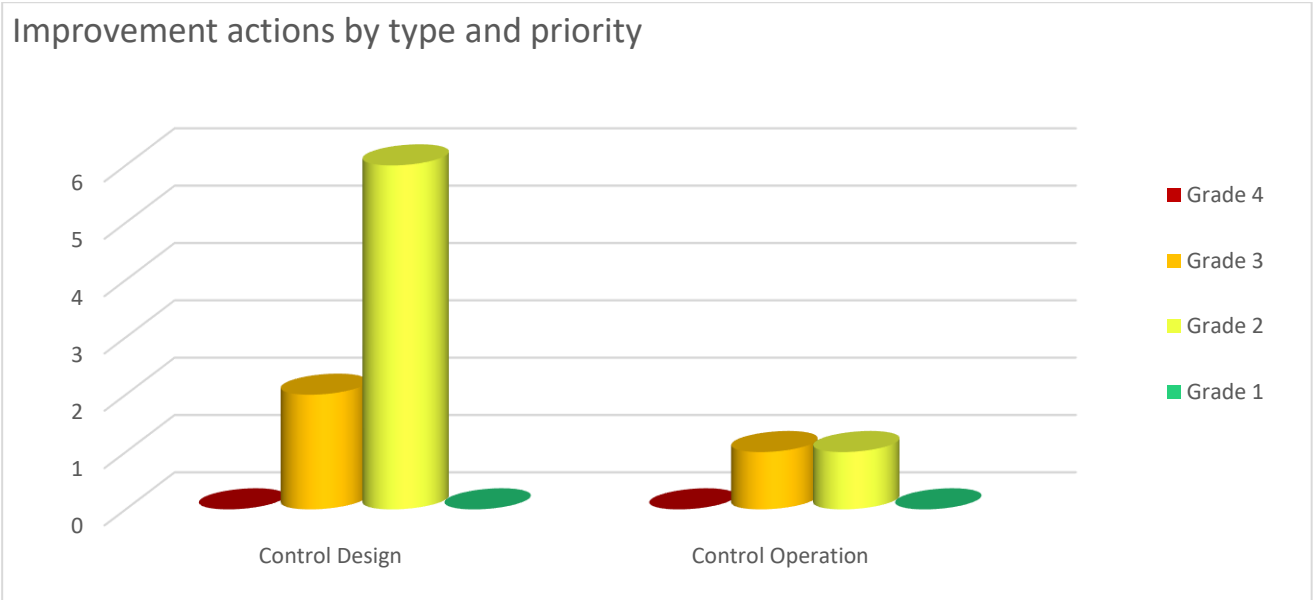
Acknowledgement

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 review.

Control assessment



- 1. The roles and responsibilities of the Board and its governance committees are clearly defined and supported through documented policies and procedures (e.g. Terms of Reference, Scheme of Delegation), which are subject to regular review.
- 2. There is an effective reporting framework between governance committees and the Board.
- 3. The roles and responsibilities of Board members (both executive and non-executive) have been clearly defined and communicated, with the organisation supporting staff and committee members to be effective in their role.
- 4. The Board completes a formal evaluation of its own performance, and that of its Committees.



10 improvement actions have been identified from this review, eight of which relate to the design of controls themselves. See Appendix A for definitions of colour coding.

Key findings

Good practice

- For the IJB Board and ARC meetings that did take place during 2025, we found that information provided to members is of good quality and supports effective decision making. Examples included both financial and non-financial reporting. Budget pressures were clearly and consistently reported to the Board in June and November 2025, setting out key financial positions and areas requiring early consideration ahead of budget approval. Similarly, the delayed discharge report presented in June 2025 supported effective scrutiny of pressures affecting core services.
- Roles and responsibilities for the IJB Board and ARC have been clearly documented and aligned to the expectations of the Public Bodies (Joint Working) (Scotland) Act 2014.
- Actions identified during meetings of the IJB Board and ARC are recorded and monitored on an ongoing basis through the relevant action trackers.

Areas for improvement

- Update and approve all core IJB governance documents in line with the planned timeframes and circulate to members once finalised.
- Strengthen oversight of attendance for both IJB Board and ARC members to proactively identify emerging issues and address quorum risks before they affect the ability to hold meetings. Regular monitoring of attendance trends and early escalation where concerns arise would support more reliable and consistent governance.
- Contingency plans should also be established to ensure that essential duties can still be discharged when meetings are cancelled or inquorate. This should include clear alternative routes for timely review of key papers, such as the Strategic Risk Register, and consideration of whether existing Standing Orders require refinement to better protect continuity of governance.
- Refresh the Communication Strategy to provide transparency over its internal and external reporting channels.

These are further discussed in the Management Action Plan below.

Impact on risk register

This review is linked to all risks on the Western Isles Integration Joint Board Strategic Risk Register.

Our audit findings have noted some significant gaps in control, compounded by failures of governance in 2025, where it would be reasonable to conclude that the ARC did not discharge its duties. Additionally, several core governance documents are currently out of date and as such may not represent the current operations of the IJB nor its goals moving forward. Management should consider the development of a strategic risk regarding the governance arrangements in place while work remains ongoing to address the issues identified.

Cultural Observations

Throughout our review, we held open and constructive discussions with key staff, who provided a clear and honest overview of the current governance arrangements. The Interim Chief Officer

demonstrated strong awareness of the governance challenges facing the IJB, and significant work has already been undertaken and further activity planned to address the existing framework and align it more effectively with the IJB's strategic objectives.

Despite these challenges, we observed a willingness across key staff to support and engage in improvement efforts. This positive attitude was evident throughout the review and contributed to a well-supported process. Collectively, this provides a strong cultural foundation for successfully implementing the recommended actions outlined in this report and those currently underway.

Management Action Plan

Control Objective 1: The roles and responsibilities of the Board and its governance committees are clearly defined and supported through documented policies and procedures (e.g. Terms of Reference, Scheme of Delegation), which are subject to regular review.

1.1 Outdated Governance Documents

Observation

Several key governance documents within the IJB governance framework were outdated at the time of our review:

Document	Review Update
Integration Scheme	Review ongoing
SPG Terms of Reference	To be developed
Code of Conduct	Last Reviewed 2022
Scheme of Delegation	Last Reviewed 2016
Communication Strategy	Not renewed since 2019
Business Plan	Currently in draft

These documents provide the foundation for effective governance, decision-making, and strategic oversight. While discussions with management confirmed that the IJB is aware of the need to update these documents and has begun to establish timeframes for doing so, formal revisions have not yet been completed, and the existing gaps remain in place. This limits the clarity and consistency of governance arrangements, particularly in the context of recent organisational changes.

Root cause analysis

We performed further analysis to determine why core governance documents have expired without appropriate review:

1. Significant structural changes and turnover in key governance and leadership roles contributed to delays in reviewing and updating core documents.
2. There was no centralised tracking mechanism in place to monitor document ownership, review cycles, or required updates, resulting in these documents not being prioritised. This was identified by the IJB and is currently under development.
3. Document revision history is inconsistent across the IJB, resulting in reduced clarity over revision dates and updates made.

Risk

Outdated or incomplete governance documents increase the risk of unclear decision-making authority, inconsistent governance practices, and reduced transparency, which may weaken assurance over how the IJB operates.

Recommendations

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
1.1A	We recommend that the IJB ensures all core governance documents identified within this finding are updated and approved in line with the planned timeframes and circulated to members once finalised.	3 (Operation)	A review for core governance has commenced prioritising the Scheme and Risk Register. The other outstanding items will be incorporated into a cyclical plan to address the backlog and maintain compliance with review dates.	Interim Chief Officer 30 June 2026
1.1B	We recommend that, once the tracking document currently under development is finalised, it is maintained centrally and reviewed on an ongoing basis to ensure upcoming document review deadlines are identified and planned for appropriately. This process should form part of the IJB's annual workplan setting.	2 (Design)	Agreed.	Corporate Business Manager 30 June 2026
1.1C	We recommend that revision history tables are added to each governance document to provide clarity over revision dates and updates made.	2 (Design)	Agreed. Establishing templates for governance reporting documents will be addressed and include within the cover page information reporting on the status of the document – originated by whom, approval dates, review dates and indication of the amendments made within the version control.	Corporate Business Manager 30 June 2026

1.2 Code of Conduct

Observation

The IJB has an established Code of Conduct dated June 2022, which outlines the expected roles, responsibilities, and standards of behaviour for members. Updates to the Code from external bodies such as the Standards Commission are communicated to members, with the most recent update presented in 2024.

Our review identified that the IJB does not operate a formal annual process requiring members to review the Code of Conduct and provide confirmation of their continued understanding and compliance.

Root cause analysis

We performed further analysis to determine why there is no process to confirm annual review of code of conduct:

1. We found there is no explicit requirement within the IJB's governance framework or supporting policies mandating an annual confirmation of the Code of Conduct.

Risk

Without a formal annual process requiring members to review and confirm their understanding of the Code of Conduct, there is a heightened risk that expectations are not consistently understood or applied. This may weaken governance arrangements, reduce accountability, and limit the IJB's ability to demonstrate adequate oversight of member conduct.

Recommendation

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
1.2A	We recommend the IJB implement a formal annual process requiring members to review the Code of Conduct and confirm their continued understanding and acceptance. This should be documented within existing governance documentation and undertaken at the beginning of each financial year.	2 (Design)	Agree. Upon approval the control document will be incorporated into the developed IJB Code of Corporate Governance.	Corporate Business Manager 30 June 2026

Control Objective 2: There is an effective reporting framework between governance committees and the Board.

Amber

2.1 Meetings of the IJB Board and ARC

Observation

During 2025 the ARC experienced significant disruption to its governance function, with only two meetings achieving a quorum across the year and an eight-month gap between March and November in which no formal committee business was conducted. Additionally, our review noted that the Strategic Risk Register was reviewed only once within a fourteen-month period (September 2024 to November 2025), despite this being a core responsibility of the ARC to regularly monitor, assess and scrutinise the Strategic Risk Register and a fundamental component of the organisation's assurance and oversight framework.

The failure to maintain quorum suggests underlying weaknesses in committee membership arrangements, attendance expectations, and escalation processes. The gaps in activity also indicate that existing governance arrangements were not sufficiently resilient to ensure that key oversight responsibilities could continue even when meetings were disrupted.

In addition to the disruptions noted with the ARC, we also observed that the Board also did not convene for five months over the period June to November 2025.

Root cause analysis

We performed further analysis to determine why the failures of governance noted above took place:

1. The IJB has been reacting to governance issues over the past 12 to 18 months and has limited controls in place to safeguard continuity of governance meetings.
2. Contingency plans have not been fully implemented to guide escalation routes, compounded by failures to establish emergency or special meetings where quoracy could not be secured.

Risk

There is a risk that the Board and ARC are unable to discharge its statutory and governance responsibilities effectively if it cannot reliably meet or review key assurance documents. Prolonged gaps in oversight weaken the organisation's assurance environment, limit scrutiny of major risks, and reduce senior leaders' and the IJB's visibility of emerging issues.

Failure to maintain quorum and sustain regular review of the Risk Register increases the likelihood that significant risks go unidentified or unmitigated and creates conditions in which decision-making may be based on outdated or incomplete assurance information.

Recommendations

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
2.1A	The IJB should strengthen oversight of attendance for both Board and ARC members to proactively identify emerging issues and address quorum risks before they affect the ability to hold meetings. Regular monitoring of attendance trends and early escalation where concerns arise would support more reliable and consistent governance.	3 (Design)	Agree. A development session in May 2026 is scheduled capture a range of governance issues including the findings of this audit regarding this action.	Interim Chief Officer 30 June 2026
2.1B	Contingency plans should also be established to ensure that essential duties can still be discharged when meetings are cancelled or inquorate. This should include clear alternative routes for timely review of key papers, such as the Strategic Risk Register, and consideration of whether existing Standing Orders require refinement to better protect continuity of governance.	3 (Design)	Agreed. Variations to standing orders have been actioned to support business continuity. Alternative means such as electronic circulation of feedback on key papers will be considered when reviewing the associated governance arrangements detailed in the standing orders.	Interim Chief Officer 30 September 2026

2.2 Communication Strategy

Observation

The Board previously developed a Communication Strategy covering the period 2016–2019, which set out the intended arrangements for open, transparent, and effective communication across the IJB and the 'Body Corporate' structure. This Strategy also outlined key objectives, challenges, and planned actions to support public awareness, ensure accessibility of IJB publications, and guide communication related to governance and service commissioning.

We confirmed the strategy has never been refreshed, and no revised version has been produced. As a result, the IJB does not currently have an up-to-date, formally approved framework defining communication channels, roles, responsibilities, and processes for information sharing across its structure. During discussions, the Corporate Business Manager noted that communication between partner bodies often occurs naturally due to the size and close working relationships; however, recognises this does not remove the need for a formal, updated strategy.

Root cause analysis

We performed further analysis to determine why the communication strategy has not been refreshed:

1. Significant structural changes and turnover in key governance and leadership roles contributed to delays in reviewing and updating core documents.

Risk

The absence of a Communication Strategy may lead to unclear or inconsistent communication practices across the governance structure, reduced transparency, and a lack of assurance that roles, responsibilities, and channels are understood and effectively coordinated.

Recommendation

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
2.2A	We recommend that the IJB updates the Communication Strategy to replace the expired 2016–2019 version. The updated strategy should clearly define communication channels, roles, responsibilities, and expected processes for sharing information both internally and externally. Once finalised, it should be communicated to all relevant stakeholders to ensure consistent and transparent communication across the partnership.	2 (Design)	Agreed. Action as per ref 1.1A.	Interim Chief Officer 30 June 2026

Control Objective 3: The roles and responsibilities of Board members (both executive and non-executive) have been clearly defined and communicated, with the organisation supporting staff and committee members to be effective in their role.

Yellow

3.1 Member Induction Materials

Observation

Induction materials provided to IJB members were last reviewed in 2022 and have not been updated in recent years to reflect changes in the strategic goals of the IJB or the financial and operational context in which the IJB now operates.

The current Induction Handbook contains information across several key areas including:

- Roles and responsibilities
- Standards and Ethics
- Role of the Standards Officer
- How the IJB Works
- Role of the Chief Officer and Chief Finance Officer
- Information Handling
- Complaints
- Key Contacts.

Existing members have limited access to structured ongoing development opportunities, and the range of learning materials currently available does not extend beyond the core induction pack. Enabling access to existing online training platforms would support new and existing members to engage confidently and effectively with the increasingly complex environment in which the IJB operates.

Root cause analysis

We performed further analysis to determine why induction materials have not been reviewed:

1. Significant structural changes and turnover in key governance and leadership roles contributed to delays in reviewing and updating core documents. Updating other core documents, such as the Strategic Plan and Integration Scheme have taken priority and resulted in induction materials not being reviewed timely.

Risk

Outdated induction materials and the absence of supporting training may lead to members lacking current and consistent understanding of their responsibilities within the wider governance context. This reduces the effectiveness of scrutiny and decision-making and increases the likelihood of gaps in oversight, particularly during periods of membership change.

Recommendation

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
3.1A	The IJB should review and approve an update to the existing member induction handbook to reflect current statutory duties, strategic priorities, and governance arrangements, and assess the feasibility of expanding the development offer by providing members with access to a broader range of learning resources and ongoing training.	2 (Design)	IJB Members – voting, non-voting and those in-attendance have access to the current Teams Induction Folder and the Induction Handbook. Both formats required updating.	Corporate Business Manager 31 August 2026

Control Objective 4: The Board completes a formal evaluation of its own performance, and that of its Committees.

Yellow

4.1 Skills Assessment

Observation

The IJB does not currently maintain a skills matrix for its members, nor does the assessment or development of member competencies form part of the annual evaluation of the IJB's effectiveness.

Appointment of voting members is carried out independently by the Health Board and Council, each of whom is responsible for ensuring that their appointees are appropriately qualified. The Health Board already uses a skills matrix to assess the knowledge and awareness of its members, and with suitable adaptation this approach could be refined to capture competencies relevant to the IJB's governance, statutory responsibilities, and strategic oversight role.

While there is no formal requirement for IJBs to undertake skill assessments, governance practice could be enhanced to understand the collective and individual skillsets of members. Capturing this information would allow the IJB to identify existing strengths, areas where knowledge may be limited, and opportunities for targeted development and support for both new and existing members specific to the operations of the IJB.

Root cause analysis

We performed further analysis to determine why a skills assessment was never undertaken:

1. There has been substantial turnover in IJB membership, and the board does not currently undertake a formal annual evaluation. As a result, potential skills gaps have not been identified or addressed.

Risk

The absence of structured information on the skills and experience of IJB members limits the Board's ability to identify potential gaps in knowledge, target training effectively and ensure that the IJB collectively possesses the competencies required to exercise effective governance. This may reduce the quality of scrutiny and decision-making and weaken the assurance the IJB can provide over key areas of responsibility.

Recommendation

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
4.1A	The IJB should liaise with the Comhairle and Health Board to access their extant skills matrix in order to develop a skills matrix to capture the competencies, experience, and development needs of its	2 (Design)	Agree consideration of this matter to be discussed in the first instance through ICMT to ascertain how existing practice is best adapted and the most appropriate timing for the outline scheduling of this given the	Interim Chief Officer 30 November 2026

	members. This could replicate the form of the NHS Western Isles existing framework, adapted to reflect the specific responsibilities of the IJB. Incorporating a skills assessment into the annual evaluation process would enable the IJB to identify strengths and gaps within its membership, support tailored training, and enhance the overall effectiveness and resilience of governance arrangements.		pending local authority elections in 2027.	

4.2 Self-Assessments

Our review identified that the ARC has not undertaken a formal annual self-assessment in the last 12 months, (an annual self-assessment is considered good practice by the Scottish Government Audit and Assurance Committee Handbook). The absence of an annual assessment represents a significant gap in the committee's assurance over its own effectiveness, as it limits structured reflection on governance arrangements, member capability, quality of oversight, and the committee's overall contribution to the system of control.

While end-of-meeting self-assessments are completed routinely by both the Board and ARC, these do not compensate for the lack of an annual evaluation. Analysis of completed evaluations identified repeated and identical responses across multiple meetings, offering minimal commentary or reflection on how meetings were conducted. This indicates that the exercise is procedural and does not compensate for the lack of an annual self-assessment.

Discussions with the Interim Chief Officer confirmed that the purpose of the end-of-meeting evaluation is to reflect on meeting conduct rather than the substance of reports or the adequacy of scrutiny. However, without a periodic, structured annual self-assessment, there is no evidence that the committee systematically considers its performance, effectiveness, or areas for development.

Root cause analysis

We performed further analysis to determine whether consideration to self-evaluations adds expected value:

1. We were informed that the self-evaluations are scrutinised by members at the end of each meeting and that the minutes do not capture these discussions.
2. The last ARC self-review was undertaken at a point in time where a number of members were new to the IJB ARC and did not feel that they could accurately respond to the questions raised. As a result, management did not feel it provided an accurate reflection and as such have delayed the self-assessment until late 2026.

Risk

The limited value from existing self-evaluation forms increases the risk that committees do not critically assess their own effectiveness or identify areas requiring improvement. This is compounded by the lack of a formal annual evaluation process in recent years. Evaluations that focus only on the conduct of the meeting, rather than the adequacy of scrutiny or the quality of discussion, may provide an incomplete and potentially misleading picture of governance performance. This reduces opportunities to identify systemic issues, such as those that contributed to prolonged gaps in ARC activity and delayed review of the risk register.

Recommendation

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
4.2A	The IJB should establish an annual self-assessment of the Board and ARC ensure that performance is appropriately	2 (Operation)	Agreed. Scheduled for September 2026.	Interim Chief Officer

	assessed to support continuous improvement.			30 September 2026

Appendix A – Definitions

Audit Ratings

Immediate major improvement required

- Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

Substantial improvement required

- Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

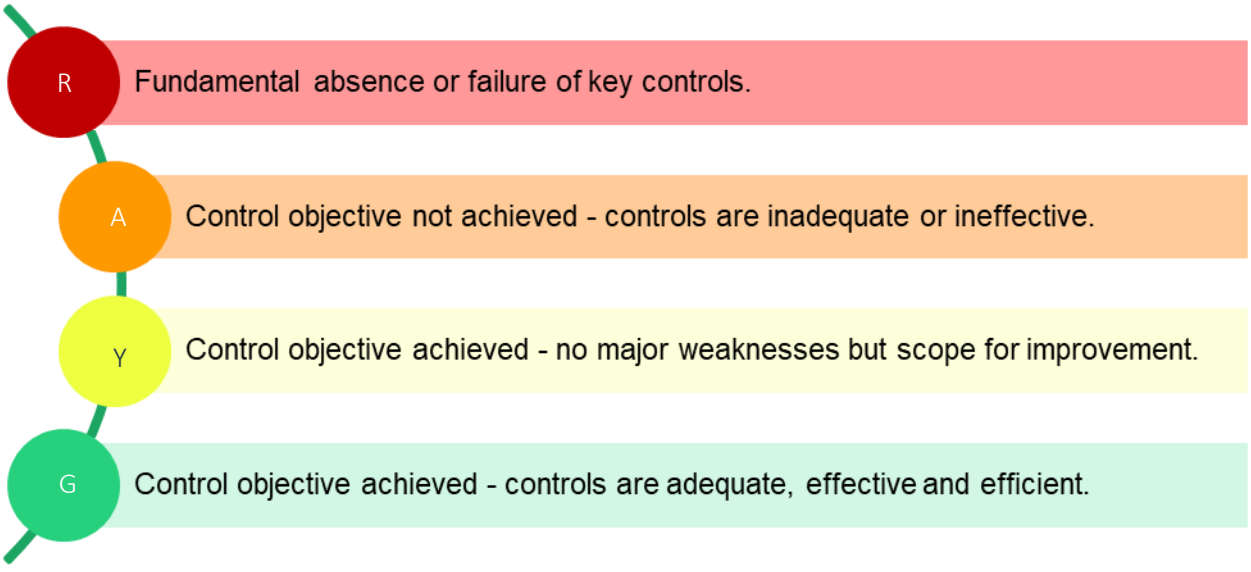
Minor improvement required

- A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Effective

- Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Control assessments



Management action grades

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.