

Integration Joint Board



Co-bhòrd an Amalachaidh

Internal Audit Needs Assessment and Risk Based Strategic Audit Plan

2016 - 2019

18th February 2016



COTHARILE NAN EILEAN SIAR



COMHAIRLE NAN EILEAN SIAR

INTERNAL AUDIT NEEDS ASSESSMENT AND STRATEGIC AUDIT PLAN 2016-2019

Introduction

1. In order to produce the Strategic Audit Plan for three years from 1st April 2016 to 31 March 2019, we undertook an Internal Audit Needs Assessment, based on a tried and tested risk assessment process which complies with best practice. The preparation of a plan is of course more complex as the Integration Joint Boards (IJBs) are inaugurated and have no historical data in which to assess specific key benchmarks or planned outcomes. Nevertheless, this also provides opportunities to assist in the formulation and review of key areas such as Risk Management, Governance, Due Diligence and Constitutional matters.
2. The preparation of the Internal Audit Needs Assessment and Strategic Audit Plan in this manner enables the Internal Audit approach to clearly demonstrate compliance:-
 - with the UK Public Sector Internal Audit Standards which came into effect on 1st April 2013;
 - with the Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards which came into effect on 1st April 2013; and
 - with generally accepted professional auditing standards.
3. The recent guidance provided through the Integrated Resource Advisory Group (IRAG), together with a recent presentation from Paul Leak of the Scottish Government to the Scottish Local Authority Chief Internal Auditors Group, has to a certain point provided some direction in relation to how Internal Audit services should feature within an IJB environment. It has to be said that there is also an element of evolution in relation to IJBs throughout Scotland as each IJB finds its feet and develops a strategy on which to plan, develop and deliver services within its locality.

The practical approach to developing the Strategy

4. The Audit Needs Assessment and Strategic Planning work was undertaken over a period of time between January and February 2016.
5. The practicalities and protocols which we would suggest are:
 - NHS Western Isles Internal Auditors continue to provide services which focus on the priorities within the organisation, based on a risk based audit approach;
 - The Comhairle's Internal Auditors will continue to provide services which focus on the priorities within the organisation, based on a risk based audit approach;
 - The appointed IJB Internal Auditor will seek to collate information from both sets of Internal Audit functions on which to gain an overall picture of the environment, risk and outcomes of local audit field work which will help to form an opinion and annual report;
 - The IJB will need to have its own Audit Committee, with best practice identifying that the Chair of the Audit Committee should be from the organisation not chairing the IJB;

- A formal protocol to allow information sharing will need to be developed along with communication of planned audit work and findings on a routine basis between each set of auditors. It is important that there is an unrestricted protocol in place. There may even be some benefit of a joint audit review of some elements of service delivery depending on the audit approach and timing of planned work;
 - The main focus of the IJB Internal Auditors in Year 1 will be to concentrate on the key areas of Due Diligence, Governance and a review of the Strategic Plan produced as part of the ongoing work of the shadow IJB; and
 - As the IJB develops and evolves, the internal audit approach may need to modify to take account of any new areas of risk, challenge or indeed financial constraints which may pose concerns in terms of service delivery.
6. The first stage of the exercise was to **consult** with key stakeholders, in this case the Chief Officer, IJB Section 95 Officer and certain key officers, and to take cognisance of the risks identified in discussions with them during the preparation of the plan.
 7. Secondly, the budget book and financial ledger were reviewed to gain an understanding of historic practices and expenditure levels.
 8. Finally, we considered current topical issues which came to our attention from our knowledge of government policies and priorities, the role of regulatory bodies, professional requirements and our discussions with the external auditors and IJB Staff.
 9. Having gathered the base information, we undertook a risk assessment process. Risks are those events or circumstances which impinge on the ability of the IJB to achieve its corporate aims and values and the strategic objectives which underpin them. In practice, we assessed separately the likelihood of a risk occurring and the impact that the particular risk would have if it was to occur.
 10. The risk assessment model we employed took into account the inherent risks associated with a process or activity and the residual risks following the application of controls.
 11. The outcome of the risk assessment process is summarised in Appendix A. Internal Audit resources will be directed towards those risk areas which rank as High, Medium/High or Medium. It is not intended to undertake internal audit work on those risk areas which rank as Medium/Low or Low. Full details of all identified risks ranked during the risk assessment process are available for review on request.

Prioritisation of the plan

12. Having identified the risk areas to be subjected to internal audit review over the three year period, we allocated the reviews between the three audit years, taking into consideration known project timescales and statutory and regulatory timetables, where applicable.
13. We then invited stakeholders to **challenge** the outcome of the risk assessment process by circulating the draft Internal Audit Needs Assessment and Strategic Audit Plan to them and inviting comments or suggestions by 12th February 2016.

14. Where responses were received, we met with responders, discussed the risk assessment process, explained our proposed audit responses and, where appropriate, amended timing and objectives to more closely meet stakeholder expectations.
15. Finally, we **compared** the draft Strategic Audit Plan to confirm compliance with:
 - the UK Public Sector Internal Audit Standards which come into effect on 1st April 2013;
 - the IJB's strategic Plan; and
 - planned outcomes of the IJB over the period of the plan.

Concluding remarks

16. In summary, the Strategic Audit Plan has been prepared based on a robust risk assessment process, following appropriate consultation, challenge and comparison with underlying, national, corporate and professional objectives. The planned internal audit reviews address the main focus of the IJB in terms of establishment, planning, and complying with the need to provide quality service provision in our communities whilst doing so effectively and efficiently in the use of finite resources.
17. The current skills mix of three fully qualified members of staff are sufficient to meet the needs of the IJB in addressing High and Medium/High risk reviews.
18. We will review the Strategic Plan on an annual basis to determine whether there needs to be changes made in terms of risk, concern or priority. This may result in some work being accelerated in terms of timing, or substituted, depending on the IJB's organisational risk, objectives and planned key outcomes. This process will be undertaken prior to the start of each financial year and the Operational Plan will be submitted to the IJB's Audit Committee for approval. This process is in accordance with the Public Sector Internal Audit Standards.
19. The Internal Audit section will take cognisance of the work of other professionals, such as appointed External Auditors, Internal Auditors within NHS Western Isles and Regulatory Bodies. Such cognisance will be based on the depth and coverage of the applicable work and that appropriate evidence has been retained to support the conclusions and recommendations made as part of any review undertaken.
20. The plan is based on 20 days of audit resource per annum, with any further resource input subject to the prior approval of the IJB's Section 95 Officer or Audit Committee.

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT NEEDS ASSESSMENT AND STRATEGIC AUDIT PLAN 2016-2019**

For and on behalf of the Internal Audit Section

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18th February 2016

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**Integration Joint Board - strategic audit plan 2016/17 - 2018/19
Strategic audit plan based on risk ranking exercise**

Ref.	Auditable Systems	Total Score	H= 200+	Days available		
			M/H= 170-199	Year 1 16/17	Year 2 17/18	Year 3 18/19
			M= 140-169			
			M/L= 120-139			
			L= 0-119			
IJB 1	Governance Arrangements	218	High	5		
IJB 2	Due Diligence	218	High	5		
IJB 3	Integration Joint Board – Review of the Strategic Plan 2016-2019	218	High	5		
IJB 4	Risk Management	218	High		5	
IJB 5	Performance Reporting and Outcomes	218	High		5	
IJB 6	Financial Planning and Savings	250	High		5	
IJB 7	Service Redesign, delivery and progress in meeting key outcomes (Change Management)	250	High			15
Annual Reporting						
	IJB – Internal Audit Annual Report			1	1	1
	Progress Reporting to the IJB Audit Committee			1	1	1
Meetings and attendance at IJB Audit Committee						
	General communications, drafting and clearing meeting, advice and liaison with Parent bodies appointed Internal and External Auditors			2	2	2
Follow Up Reporting						
	Preparation and review of previously issued reports and progress reporting			1	1	1
Sub-total for internal audit fieldwork, meetings & associated reporting				20	20	20

Internal audit operations

Sub-total for internal audit fieldwork carried forward

Staffing Shortfall

Total
Days

20	20	20
0	0	0
20	20	20

Reconciliation of workforce days available

Number of days available:-

Comhairle staff

Total

20	20	20
20	20	20

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2016-2019**

Appendix B

Strategic Audit Plan for the 3 years ending 31 March 2019

Computation of available working days (Mondays to Fridays):-
1 April 2016 to 31 March 2019

Posts:- 2016/17, 2017/18 & 2018/19	Chief Auditor	Senior Auditor	Total
Total working days	<u>10</u>	<u>10</u>	<u>20</u>
Non chargeable time			
less public holidays	N/A	N/A	N/A
less annual leave	N/A	N/A	N/A
less sick leave factored in (4%)	N/A	N/A	N/A
less training days	N/A	N/A	N/A
Total non-chargeable time	N/A	N/A	N/A
Total Comhairle days	10	10	20
Total available days			20

Notes

1. A total of 20 days Internal Audit per Financial Year.
2. Any additional work would be subject to the request by the IJB.
3. All work will be undertaken by fully qualified professional staff.
4. There will be no deduction of any non-chargeable time to the key service input.