

# Integration Joint Board



## Co-bhòrd an Amalachaidh

# Internal Audit Needs Assessment and Risk Based Strategic Audit Plan

2019 - 2022

1<sup>st</sup> November 2018



# **COMHAIRLE NAN EILEAN SIAR**

## **INTERNAL AUDIT NEEDS ASSESSMENT AND STRATEGIC AUDIT PLAN 2019-2022**

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### **Introduction**

1. In order to produce the Strategic Audit Plan for three years from 1<sup>st</sup> April 2019 to 31 March 2022, 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 takes cognisance of what has been achieved in the last plan, together with historical data in which to assess specific key benchmarks or planned outcomes. The plan focuses on the core aspects of both good governance and reviewing ongoing progress by the IJB in fulfilling its aspirations of services are best delivered by each of the parent bodies.
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 1<sup>st</sup> April 2013;
  - with the Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards which came into effect on 1<sup>st</sup> April 2013; and
  - with generally accepted professional auditing standards.
3. Whilst initial guidance was provided through the Integrated Resource Advisory Group (IRAG), this has been supplemented by additional information and supporting guidance by the Scottish Government which is helpful in terms of 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 progresses with delivering 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 October 2018 and November 2018.
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 12<sup>th</sup> January 2019.

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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 1<sup>st</sup> 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 two 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.

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For and on behalf of the Internal Audit Section

Paul Macaskill BA FCPFA CMIIA  
Chief Internal Auditor for the Integration Joint Board  
Comhairle nan Eilean Siar  
Sandwick Road  
Stornoway  
Isle of Lewis  
HS1 2BW

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**Integration Joint Board - strategic audit plan 2019/20 - 2021/22**

**Strategic audit plan based on risk ranking exercise**

Ref.	Auditable Systems	Total Score	H= 200+	Days available		
			M/H= 170-199	Year 1 19/20	Year 2 20/21	Year 3 21/22
			M= 140-169			
			M/L= 120-139			
			L= 0-119			
IJB 1	Risk Management	166	Medium	5		
IJB 2	Workforce Planning and Organisational Development	300	High		10	
IJB 3	Financial Planning, management and savings	226	High	5		
IJB 4	Project Management of the Capital Investment and Delivery	202	High		5	
IJB 5	Consultation, Participation & Engagement	130	Medium/Low			5
IJB 6	Business Continuity Planning and Disaster Recovery	192	Medium/High	5		
IJB 7	Information governance and data sharing	136	Medium/Low			5
IJB 8	Scheme Review (5 Year review requirement)	116	Low			5
<b>Annual Reporting</b>						
	IJB – Internal Audit Annual Report			1	1	1
	Progress Reporting to the IJB Audit Committee			1	1	1
<b>Meetings and attendance at IJB Audit Committee</b>						
	General communications, drafting and clearing meeting, advice and liaison with Parent bodies appointed Internal and External Auditors			1	1	1
<b>Follow Up Reporting</b>						
	Preparation and review of previously issued reports and progress reporting			2	2	2
<b>Sub-total for internal audit fieldwork, meetings &amp; associated reporting</b>				<b>20</b>	<b>20</b>	<b>20</b>

**Internal audit operations**

Sub-total for internal audit fieldwork carried forward

Staffing Shortfall

Total  
Days

20	20	20
0	0	0
<b>20</b>	<b>20</b>	<b>20</b>

**Reconciliation of workforce days available**

Number of days available:-

Comhairle staff

Total

20	20	20
<b>20</b>	<b>20</b>	<b>20</b>

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Appendix B

**Strategic Audit Plan for the 3 years ending 31 March 2022**

Computation of available working days (Mondays to Fridays):-  
1 April 2019 to 31 March 2022

<b>Posts:- 2019/20, 2020/21 &amp; 2021/22</b>	<b>Chief Auditor</b>	<b>Auditor</b>	<b>Total</b>
Total working days	<u>10</u>	<u>10</u>	<u>20</u>
<b>Non chargeable time</b>			
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
<b>Total available days</b>			<b>20</b>

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 managed by qualified professional staff.
4. There will be no deduction of any non-chargeable time to the key service input.