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Agenda Item: 7

## **Performance and Audit Committee.**

**Date of Meeting: 18 June 2025.**

**Subject: Internal Audit Annual Report and Opinion.**

### **1. Purpose**

1.1. To present the Internal Audit Annual Report and Opinion for 2024/25.

### **2. Recommendations**

**It is recommended:**

2.1. That the Committee scrutinise the Internal Audit Annual Report and Opinion 2024/25, attached as Appendix 1 to this report, in order to obtain assurance in respect of the overall opinion stated at section 4.2 of this report.

### **3. Background**

3.1. The Integrated Resources Advisory Group (IRAG) guidance outlines the responsibility of the Integration Joint Board to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.

3.2. The Chief Internal Auditor is required to provide an annual internal audit report including an audit opinion on risk management, governance and control.

3.3. The IRAG guidance recommends that the annual internal audit report is shared with the partner Health Board and Local Authority through the reporting arrangements in those bodies for internal audit.

### **4. Audit Report and Opinion**

4.1. The Annual Audit Report and Opinion, attached as Appendix 1 to this report, details the level of completion of work achieved in respect of the 2024/25 audit plan.

4.2. The report provides assurances on the systems examined by Internal Audit during the financial year. On the basis of the audit work performed in 2024/25 and the review of outstanding audit recommendations, the Chief Internal Auditor's opinion is that the Integration Joint Board (IJB) has a framework of controls in place

that provides Limited assurance regarding the IJB’s governance framework, related internal controls, and the management of key risks.

## 5. Contribution to quality

Please indicate which of the Orkney Community Plan 2025 to 2030 values are supported in this report adding Yes or No to the relevant area(s):

<b>Resilience:</b> To support and promote our strong communities.	No.
<b>Enterprise:</b> To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
<b>Equality:</b> To encourage services to provide equal opportunities for everyone.	No.
<b>Fairness:</b> To make sure socio-economic and social factors are balanced.	No.
<b>Innovation:</b> To overcome issues more effectively through partnership working.	No.
<b>Leadership:</b> To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	No.

## 6. Resource and financial implications

6.1. The provision of the internal audit service for 2024/25 has been contained within the contingency allocation of audit time by both Orkney Islands Council Internal Audit Service and the NHS Orkney Internal Audit Service providers, Azets. This has not resulted in any additional cost to any party.

## 7. Risk, equality and climate change implications

7.1. There are no risk, equality or climate change implications associated directly with this report.

## 8. Direction required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## 9. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
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## 10. Author and contact information

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## 11. Supporting documents

11.1. Appendix 1: Internal Audit Annual Report and Opinion 2024/25.



## Internal Audit

# Internal Audit Annual Report and Opinion

Issue date: 16 May 2025

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# 1. Introduction

- 1.1. The Global Internal Audit Standards for the UK Public Sector require that the Chief Audit Executive must prepare an overall conclusion about the effectiveness of governance, risk management and control at least annually in support of wider governance reporting. The overall conclusion must encompass governance, risk management and control.
- 1.2. The purpose of this document is to report on the Internal Audit work completed during 2024/25 and to provide the Chief Internal Auditor's annual internal audit opinion on the Orkney Integration Joint Board's (IJB) framework of governance, risk management and control.
- 1.3. On 10 March 2021 the IJB appointed the Chief Internal Auditor of Orkney Islands Council (OIC) as the Chief Internal Auditor of the IJB for the period 2021 to 2026.
- 1.4. The 2024/25 internal audit strategy and plan was approved by the IJB Performance and Audit Committee on 13 March 2024. Audit work is undertaken in partnership with the NHS Orkney (NHSO) Internal Audit Service to allow the Chief Internal Auditor to provide an annual internal audit opinion.

# 2. Governance

- 2.1. Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times. The core principles and sub-principles of good governance are:
  - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
  - Ensuring openness and comprehensive stakeholder engagement.
- 2.2. Good governance in the public sector also requires effective arrangements for:
  - Defining outcomes in terms of sustainable economic, social, and environmental benefits.
  - Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
  - Managing risks and performance through robust internal control and strong public financial management.
  - Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

## 3. Risk Management

- 3.1. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The IJB approved a Risk Management Strategy in October 2018, this was most recently refreshed and approved at the Board meeting on 30 April 2025. The Strategy has been compiled using both the NHSO and the OIC's strategies, and aims to build on already established best practice, so that a robust and effective framework is in place for the management of risk.
- 3.2. The IJB's risk management objectives are to:
- Anticipate and respond to changing social, environmental and legislative requirements.
  - Prevent injury and/or harm, damage and losses:
    - Comply with health and safety and legislative requirements.
    - Safeguard the public, Council and NHSO Board members, employees, service users and all persons to whom the IJB has a duty of care.
  - Preserve and enhance service delivery.
  - Maintain effective control of public funds.
  - Maintain and enhance the IJB's reputation.
  - Safeguard and enhance the quality of Orkney's environment.

## 4. Control Framework

- 4.1. The policies, procedures and activities that are part of a control framework are designed and operated to ensure that risks are contained within the level that the IJB is willing to accept.
- 4.2. The control environment includes the following elements:
- Integrity and ethical values.
  - Management's philosophy and operating style.
  - Organisational structure.
  - Assignment of authority and responsibility.
  - Human resource policies and practices.
  - Competence of personnel.

## 5. Internal Audit

- 5.1. The Integrated Resources Advisory Group's Finance Guidance outlines the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for the review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.
- 5.2. The operational delivery of services within the Health Board and Local Authority on behalf of the IJB are covered by their respective internal audit arrangements.

- 5.3. The IJB's Financial Regulations state that internal audit shall independently and objectively examine, evaluate and report on the adequacy of internal control, governance and risk management arrangements within the IJB.
- 5.4. The Internal Audit Charter 2024/25, which was approved by the Performance and Audit Committee on 16 June 2024, defined the purpose, authority and responsibility for the Internal Audit Service. The Charter conformed to the Public Sector Internal Audit Standards which were in force at the time. On 1 April 2025 the Global Internal Audit Standards for the UK Public Sector came into force and an updated Charter for 2025/26 to reflect this, was approved by the Performance and Audit Committee on 19 March 2025.
- 5.5. Internal Audit has organisational independence, and this independence was maintained throughout 2024/25. Staff involved in each internal audit review were independent of the IJB and their objectivity was not compromised in any way.
- 5.6. The Internal Audit Strategy and Plan is reviewed and approved annually. The Strategy for 2024/25 was approved by the Performance and Audit Committee on 13 March 2024. A risk-based planning exercise is carried out to determine priorities and to establish objectives. This helps to direct audit work to ensure the efficient and effective use of resources.
- 5.7. In carrying out the audit planning, consultation is carried out with senior management to produce an audit universe which includes a detailed list of IJB services assessed on a number of risk factors. Emphasis is also placed on the IJB's risk registers when preparing the audit universe and considering which areas should be subject to audit.

## 6. Overall Opinion

- 6.1. On the basis of the audit work performed in 2024/25, my opinion is that the IJB has a framework of controls in place that provides **Limited** assurance regarding the IJB's governance framework, related internal controls, and the management of key risks.
- 6.2. Significant weaknesses in the framework of governance and control were identified during an audit of Financial Planning, Monitoring and Reporting, performed during 2024/25.
- 6.3. I confirm that there were no instances of fraud identified from the audit work conducted for the IJB during the year.
- 6.4. My opinion has not been limited by any shortfall in resources, absence of skills, or any limitation of scope of internal audit activity that would adversely affect my ability to form an opinion.

## 7. Achievement of Annual Audit Plan

- 7.1. The internal audit plan for 2024/25 included audits of Strategic Commissioning and Financial Planning, Monitoring and Reporting. The table below shows the auditable areas considered as part of the annual planning process.
- 7.2. The Strategic Commissioning audit has been completed and was reported to the Performance and Audit Committee in March 2025. The Financial Planning, Monitoring and Reporting audit has also been completed and will be presented to the Performance and Audit Committee in June 2025.

<b>Auditable Area</b>	<b>Last Audit</b>	<b>22/23 Days</b>	<b>23/24 Days</b>	<b>24/25 Days</b>	<b>25/26 Days</b>	<b>Outline Scope</b>
Strategic Commissioning Plan.	Jan 2020.			5.		Review arrangements for providing directions to OIC and NHSO, and that compliance with these is monitored and reported.
Integration Scheme.	Nov 2018.					Review the various elements of the Integration Scheme and obtain evidence that these are being complied with.
Financial Planning Monitoring and Reporting.	Aug 2020.			5.		Review arrangements in place for financial planning. Review the reporting framework, and how financial performance is monitored.
Risk Management.	Feb 2022.					Review the risk management framework to ensure it is fit for purpose and the Board are aware of the risks affecting the IJB and its ability to deliver on the Strategic Plan.
Internal Communication and Engagement.	Jun 2024		5.			Review of strategy and policies for communication and engagement with partner bodies and staff.
External Communication and Engagement.	Jun 2024		5.			Review of community communication and engagement strategies and policies.
Performance Management.	Mar 2023.	5.				Review annual performance reporting procedures.
Strategic Planning and links with Locality Groups.	Oct 2019.				5.	Review the terms of reference, roles and responsibilities established, how the groups contribute to planning and the support provided to the groups.
Corporate Governance.	Feb 2021.					Review of governance, standing orders, reporting, provision of training and information to board members. Review a sample of the key elements of the Code of Corporate Governance.
Workforce Planning.	Dec 2022.	5.			5.	Review the position with workforce planning in relation to partners and the Strategic Plan.
Business Continuity and Disaster Recovery.						Review of arrangements for business continuity and disaster recovery
Information Governance and Data Sharing.	Feb 2022.					Review information sharing agreements and compliance with GDPR.

## 8. Quality Assurance and Improvement Programme

- 8.1. Internal Audit monitors its performance to gauge the effectiveness of the service and to inform future service improvements.
- 8.2. The Global Internal Audit Standards for the UK Public Sector has a specific requirement for the Internal Audit Service to have in place a quality assurance and improvement programme. The programme must cover all aspects of the internal audit function and includes both internal and external quality assessments
- 8.3. The internal assessment is now annual and the next review will be performed towards the end of this year. The external assessment is on a five year cycle and our last external assessment was done in 2022.
- 8.4. Action plans are produced following each assessment and actions are tracked to completion.

## 9. Audit Action Progress

- 9.1. Progress with internal audit actions is monitored through the Council's performance management system Ideagen Risk Management. The system sends out automated email reminders to officers responsible for updating each action at the end of each reporting period. Where no update has been made for an action for a particular reporting period, this is noted on the system.
- 9.2. The table below shows which audits the actions are associated with and when the audits were performed, it also provides more detail on the individual actions, owners and target dates as well as the current position with implementation of the actions.
- 9.3. There are no outstanding actions from any internal audits prior to 2023/24.

## IJB Strategic Commissioning Audit 2024/25

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
1. The measures within the Strategic Plan should be reviewed and more specific targets set to allow for success to be measurable.	Grade 2	Work is progressing in developing the new three year Strategic Plan and the associate Delivery Plan. All targets will be reviewed to ensure there are specific targets which are measurable.	IJB Chief Officer.	30 April 2025.	Complete.
2. We recommend that the IJB document a monitoring regime that considers the frequency of such activities relative to the period of commissioned work. This should ensure that the IJB has a clear understanding of progress prior to commissions ending.	Grade 3	A guidance document will be produced to detail the expected monitoring arrangements for new commissioned services, with clear expectations around timescales for updates and where these will be reported.	IJB Chief Officer.	31 March 2025.	Complete.
3. Comprehensive updates for the action noted within the matters arising log of the February 2024 IJB Board meeting should be provided alongside a revised due date until the action is fully complete.	Grade 2	Leads will ensure that actions contained within the Matters Arising Log have an adequate timescale for completion. Should timescales slip, Leads will ensure that information on the revised date including progress to date will be provided.	IJB Chief Officer.	30 April 2025.	Complete.

## External Communications and Engagement Audit 2023/24

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
1. Staff should be reminded of the necessity of getting all press releases both quality checked / edited and authorised before the article is released. We recommend the development of some form of tracking spreadsheet would allow monitoring of outstanding editor sign offs & approvals.	Medium	The Council's Communications team has been taking part in a Pathfinder project which has seen a shared files area created on OneDrive. The functionality of this will allow for such tracking to take place. A guidance note will be issued to staff to advise them how to use this and of the protocols around sign off of communications materials.	Communications Team Manager (OIC).	31 December 2024.	Complete.
2. The OIC Communications Team should aim to increase their posting of news releases to Twitter (X) and Instagram where appropriate.	Low	A review of the social platforms that are available for use will be reviewed as to their likely effectiveness and further protocols developed as a result.	Communications Team Manager (OIC).	31 December 2024.	Complete.

## Internal Communications Audit 2023/24

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
1. OIC should review/update the Communications and Engagement Strategy. This strategy should include appropriate reference to the IJB communications strategy and how it will support IJB internal communications.	Grade 3	A 2024 – 2029 Communications and Engagement Strategy will be coming to elected members at the Policy and Resources Committee on 26 November 2024 and will include appropriate reference to the IJB and their communications strategy.	Communications Team Manager (OIC).	31 December 2024.	Complete.
2. Following action of the Communications Strategy (per MAP1.1), documentation to support communications strategy should be considered.	Grade 3	Internal communications forms part of the Communications and Engagement Strategy coming to Policy and Resources on 26 November 2024 and will include reference to the potential future development of protocols and templates with those protocols and templates to be developed in the first half of 2025.	Communications Team Manager (OIC).	31 March 2025.	Ongoing.
		Update: New briefing documents have been created and will be rolled out after the completion of the OIC corporate restructure.			
3. All internal communications documentation should be reviewed/updated to reflect of current practices, with staff notified accordingly.	Grade 2	All Internal communications protocols have been updated.	NHS Orkney Communications Team.	N/A.	Complete.

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
4. The process for approval of all communications should be documented, including internal communications to staff. This should outline all communication types, the frequency of the communication, and the individual/group responsible for review and approval. Evidence of this process should be stored to ensure a clear trail of approval can be traced.	Grade 3	Internal communications forms part of the Communications and Engagement Strategy coming to Policy and Resources on 26 November 2024 and will include reference to the potential future development of documented approval processes with those documented approval processes to be developed in the first half of 2025.	Communications Team Manager (OIC).	31 March 2025.	Ongoing.
		Update: With the Communications and Engagement strategy now agreed work can begin on this target.			
5. The board's process for approval of communications should be recorded and followed in practice.	Grade 2	All internal protocols have been updated and arrangements are in place for sign off of weekly bulletins by an Executive Director in the absence of the CEO, if required.	NHS Orkney Communications Team.	N/A.	Complete.
6. The process for ensuring all weekly updates to staff includes information from a range of sources as applicable each week should be clearly documented by both OIC and NHS Orkney.	Grade 2	<b>NHS Orkney</b> NHS Orkney's Internal protocol advises that communications for internal release in bulletins must be signed off by a Head of Service or equivalent. NHS Orkney already have a process in place whereby the Corporate Communications email address is detailed weekly as a reminder for any content to be sent through for inclusion.	NHS Orkney Communications Team.	N/A.	Complete.

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
	Grade 2	<p><b>Orkney Islands Council</b></p> <p>Internal communications forms part of the Communications and Engagement Strategy coming to Policy and Resources on 26 November 2024 and will include reference to the potential future development of protocols and templates with those protocols and templates to be developed in the first half of 2025.</p> <p>Update: With the Communications and Engagement strategy now agreed work can begin on this target.</p>	Communications Team Manager (OIC).	31 March 2025.	Ongoing.
<p>7. OIC and NHS Orkney should determine the best way to seek feedback from staff regarding internal communications.</p> <p>Actions plans should track feedback received and actions taken, with key improvements shared back with employees.</p>	Grade 2	<p><b>NHS Orkney</b></p> <p>There are many mechanisms in place within NHS Orkney to obtain feedback on specific topics. Mainly these would be through MS forms survey or via Staff Briefings with the CEO. There have been many examples of how feedback has been obtained from staff, but this would all depend on the specific topic at the time. Some examples include the recent iMatter survey, (following which action plans are mandatory), iMatter follow up feedback form, Team Orkney Awards feedback, NHSO Bright Ideas scheme (via MS forms survey) and Corporate Strategy engagement sessions. We will also be launching our new staff experience programme which will allow staff avenues for feeding back.</p>	NHS Orkney Communications Team.	31 December 2024.	Complete.

Recommendations	Priority	Management Comment	Responsible Officer	Target Date	Current Position
	Grade 2	<p><b>Orkney Islands Council</b>            Internal communications forms part of the Communications and Engagement Strategy coming to Policy and Resources on 26 November 2024 and will include reference to the potential future development of feedback mechanisms with those mechanisms to be developed in the first half of 2025.</p>	Communications Team Manager (OIC).	31 March 2025.	Ongoing.
<p>Update: This target has been parked until the completion of the OIC Corporate restructure.</p>					

## Appendix 1 – Definition of Opinions

### Audit Opinions

Opinion	Definition
<b>Substantial</b>	The framework of governance, risk management and control were found to be comprehensive and effective.
<b>Adequate</b>	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
<b>Unsatisfactory</b>	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.