

**Stephen Brown (Chief Officer)**  
Orkney Health and Social Care Partnership  
01856873535 extension: 2601  
[OHACfeedback@orkney.gov.uk](mailto:OHACfeedback@orkney.gov.uk)



Agenda Item: 8.

## **Performance and Audit Committee**

**Date of Meeting: 19 March 2025.**

**Subject: Internal Audit Strategy and Plan.**

### **1. Purpose**

1.1. To present the Internal Audit Strategy and Plan for members' approval.

### **2. Recommendations**

**It is recommended:**

2.1. That the Internal Audit Strategy and Plan for 2025 to 2026, attached as Appendix 1 to this report, be approved.

### **3. Background**

3.1. The Global Internal Audit Standards in the UK Public Sector, which replaces the Public Sector Internal Audit Standards from 1 April 2025, include the requirement for the Chief Internal Auditor to develop a strategy and prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

### **4. Planning Process**

4.1. The audit plan is reviewed on an annual basis and may be adjusted as necessary in response to changes to the risk profile.

4.2. The audit planning process involves the following activities:

- Reviewing the IJB Risk Register.
- Reviewing strategic and operational plans.
- Reviewing the external audit reports to identify areas of concern.
- Audit work previously undertaken, and the conclusions reached as to whether the systems examined were sound, or that there were weaknesses in the internal controls.
- Any known relevant changes in legislation.

- Consultation with the Chief Officer to identify areas of concern which would merit audit attention.

## 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. There are no resource or financial implications associated directly with this report.

## 7. Risk and equality implications

7.1. There are no risk or equality 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.
Orkney Islands Council.	No.

## **10. Author and contact information**

10.1. Andrew Paterson (Chief Internal Auditor) Integration Joint Board. Email: [andrew.paterson@orkney.gov.uk](mailto:andrew.paterson@orkney.gov.uk), telephone 01856873535 extension 2107.

## **11. Supporting documents**

11.1. Appendix 1: Internal Audit Strategy and Plan.



## Internal Audit

# Integration Joint Board Internal Audit Strategy and Plan 2025 to 2026

Issue date: 20 February 2025.

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# Introduction

## **Purpose of the Internal Audit Strategy**

The purpose of this strategy is to outline the direction and focus of the Internal Audit Service, ensuring alignment with the Integration Joint Board (IJB)'s strategy and conformance with the Global Internal Audit Standards in the UK Public Sector. It sets out how Internal Audit will support and promote improvements in governance, risk management and control, underpinned by the Internal Audit Charter which describes the mandate, purpose, authority and responsibility of the Internal Audit Service. The strategy also guides Internal Audit in developing staff, integrating new technology into the audit process and improving the internal audit function as a whole.

## **Alignment with the IJB Objectives**

This strategy aligns internal audit activity with the overall mission and strategic objectives of the IJB by ensuring that internal audit plans and resources are prioritised to provide assurance over areas of strategic importance and highest risk to assist the IJB in achieving its objectives.

## **Global Internal Audit Standards requirements**

The Global Internal Audit Standards establish the following requirements regarding an internal audit strategy:

'The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function.

An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate. The chief audit executive must review the internal audit strategy with the board and senior management periodically'.

## **Internal Audit Resource**

The role of IJB Chief Internal Auditor is currently fulfilled by Orkney Islands Council's (OIC) Chief Internal Auditor. OIC Internal Audit Service and Azets, the internal audit provider for NHS Orkney, will provide internal audit resource to support completion of the IJB internal audit plan.

# Purpose, Vision and Mission

## **Purpose**

The purpose of the Internal Audit Service is to strengthen the IJB's ability to create, protect, and sustain value by providing the Performance and Audit Committee and senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Service enhances the IJB's:

- Successful achievement of its objectives.

- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

**Vision**

To be a trusted independent advisor to IJB and management, recognised for delivering, risk-based audit solutions that drive continuous improvement and add value.

**Mission**

To help the IJB achieve its objectives by providing independent and objective assurance, and to improve the effectiveness of risk management, control and governance processes.

**Internal Audit Objectives**

The table below details the objectives of Internal Audit, these are reviewed annually to ensure they remain relevant.

Objective	Action	Outcome
Enhancing IJB governance risk management and control.	Carrying out independent and objective evaluation and assessment to identify opportunities to improve the effectiveness of governance, risk management and control processes.	Improved IJB governance risk management and control processes through timely implementation of agreed actions.
Improving Internal Audit Processes.	Identify opportunities for process improvements and operational efficiencies across internal audit. Utilising appropriate technology to inform and improve the audit process.	Greater use of appropriate technologies such as data analytics and artificial intelligence to assist the audit process.
Develop Internal Audit skill sets.	Support staff training, development and Continuous Professional Development. Seek opportunities to increase auditors' digital skills.	Improved staff knowledge, skills and experience.
Raise the profile of Internal Audit through stakeholder engagement.	Improve awareness of internal audit planning, auditing processes, reporting and action tracking. Improve engagement through stakeholder surveys.	More informed understanding of the value and benefit of internal audit across the IJB.

## Planning Process

We take a strategic approach by presenting a three year rolling plan which is reviewed annually and may be adjusted as necessary in response to changes to the risk profile. Once reviewed the plan is presented to the Performance and Audit Committee for approval.

The audit planning process involves the following activities.

- Reviewing the IJB risk register.
- Reviewing strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Audit work previously undertaken, and the conclusions reached as to whether the systems examined were sound, or that there were weaknesses in the internal controls.
- Any known relevant changes in legislation.
- Consultation with the Chief Officer and the Chair of the Performance and Audit Committee to identify areas of concern which would merit audit attention.

The audit plan details specific areas of audit which will be subject to review. Following each review, audit reports are issued in draft format, initially to provide management the opportunity to agree the factual accuracy of the audit findings. Copies of final audit reports are passed to the Chief Officer, Chief Finance Officer, External Audit and to any other senior officer of the IJB who is responsible for acting on the recommendations.

The outcomes of audit reports feed into the Internal Audit Annual Report and Assurance Statement which is presented to the Performance and Audit Committee.

The audit plan is prepared by the Chief Internal Auditor and is approved by the Performance and Audit Committee at the start of the financial year. The plan includes sufficient flexibility to allow the Chief Internal Auditor to direct internal audit resources as required so that new local or national issues and risks can be appropriately reviewed, where considered necessary.

Whilst managing the risk of fraud and corruption is the responsibility of senior management, internal audit work is planned to consider and to minimise the risks and exposures that could allow fraud or corruption to occur.

## Internal Audit Provision

The role of IJB Chief Internal Auditor will be fulfilled by the OIC Chief Internal Auditor for a five-year period from April 2021. OIC Internal Audit Section and Azets, the internal audit provider for NHS Orkney, will provide internal audit resource to support completion of the IJB internal audit plan.

Given the range and complexity of areas to be reviewed, it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The Global Internal Audit Standards (GIAS) in the UK Public Sector require that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Member of the Institute of Internal Auditors), CCAB (Consultative Committee of Accountancy Bodies qualified accountant) or equivalent and be suitably experienced.

Internal auditors are required to conform to the Codes of Ethics of the professional accountancy bodies of which they are members and to the Code of Ethics and standards included within the GIAS. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

Internal Audit is independent and does not have any operational responsibilities. Auditors are not assigned assurance work in areas where they have had any recent operational or other involvement.

## Internal Audit Plan

Auditable Area	Last Audit	2024/25 Days	2025/26 Days	2026/27 Days	Outline Scope
Strategic Commissioning Plan.	January 2020.	5.			Review arrangements for providing directions to the OIC and NHS Orkney, and that compliance with these is monitored and reported.
Integration Scheme.	November 2018.			5.	Review the various elements of the Integration Scheme and obtain evidence that these are being complied with.
Financial Planning Monitoring and Reporting.	August 2020.	5.			Review arrangements in place for overall financial planning of the IJB. Review the reporting framework, and how financial performance is monitored.
Risk Management.	February 2022.				Review the risk management framework to ensure it is fit for purpose and ensures the Board are aware of the potential risks affecting the IJB and its ability to deliver on the strategic plan.
Internal Communication and Engagement.	September 2024.				Review of strategy and policies for communication and engagement with partner bodies and staff.
External Communication and Engagement.	June 2024.				Review of community communication and engagement strategies and policies.
Performance Management.	March 2023.				Review the annual performance reporting procedures

Auditable Area	Last Audit	2024/25 Days	2025/26 Days	2026/27 Days	Outline Scope
Strategic Planning and Links with Localities.	October 2019.		5.		Review the IJB planning process and how it links with the needs of individual localities and community groups.
Corporate Governance.	February 2021.			5.	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.	December 2022.		5.		Review the position with workforce planning in relation to partners and the strategic plan.
Business Continuity and Disaster Recovery.					Review of business continuity and disaster recovery arrangements.
Information Governance and Data Sharing.	February 2022.				Review information sharing agreements and compliance with GDPR.

## Internal Audit Management

Management Task	Number of days
Performance and Audit Committee.	3
Internal Audit Planning.	1
Internal Audit Annual Report.	1
Follow up of Audit Actions.	1
Administration.	2

Performance Management and Risk Software (Ideagen Risk) is used to track the implementation of agreed internal audit recommendations. The progress on implementing agreed actions will be checked via this system on a three-monthly basis and actions assessed as not complete and overdue are reported to the Management Team and the Performance and Audit Committee.

Internal Audit will review the assessments provided by responsible officers and where any recommendations have been marked as complete, will complete checks to confirm the assessments. Where it is confirmed that actions have been completed, the recommendations will be archived on the system.