

AUDIT AND RISK COMMITTEE

Paper for Approval

Internal Audit Plan 2022/23

Executive Sponsor: Scott Urquhart, Director of Finance

Author: Tony Gaskin, Chief Internal Auditor

Executive Summary

Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to produce a risk based plan, which takes into account NHS Forth Valley's risk management framework, strategic objectives and priorities, and the views of Senior Managers and the Audit and Risk Committee Chair and members.

As part of the annual planning process we have engaged with the Chief Executive, Director of Finance and with the wider Executive Leadership Team (ELT) to ensure the Annual Internal Audit Plan reflects current risks and any other areas where a review would be beneficial and add value for NHS Forth Valley.

The draft Internal Audit Operational Plan 2022/23 (Appendix 1) has been mapped to the Strategic Risk Register. The mapping has been reviewed and agreed by the Director of Finance. The plan includes days already allocated for areas such as audit management, completion of prior year audits, risk assessed reviews from 2021/22, Internal Control Evaluation (ICE) themes, executive requests, audits required for year-end assurance or to comply with legislation and guidance.

During 2022/23 we will actively reflect on the operational plan in place to ensure it continues to meet the needs of the service, reflects the current strategic risk profile and incorporates the outputs from the ongoing assurance mapping work. Any consequent changes to the plan will be reported to the Audit and Risk Committee for approval.

Recommendations:

The Audit and Risk Committee is asked to:

- Approve the Internal Audit Operational Plan for 2022/23 (Appendix 1)

Key Issues to be considered:

Background

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.”

Public Sector Internal Audit Standards (PSIAS) – Section 3, Definition of Internal Auditing

The Operational Plan 2022/23 has been developed in accordance with Public Sector Internal Audit Standard 2010 – Planning, to enable the Chief Internal Auditor to meet the following key objectives:

- The need to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- Provision to the Accountable Officer of an overall independent and objective annual opinion on the organisation's governance, risk management, and control, which will in turn support the preparation of the Annual Governance Statement.
- Audits of the organisation's governance, risk management, and control arrangements which afford suitable priority to the organisation's objectives and risks.
- Improvement of the organisation's governance, risk management, and control arrangements by providing line management with recommendations arising from audit work.
- Effective co-operation with external auditors and other review bodies functioning in the organisation.

The internal audit service will be delivered in accordance with the Internal Audit Charter. The plan is driven by NHS Forth Valley's organisational objectives and priorities, and maps directly to the strategic risks that may prevent NHS Forth Valley from meeting those objectives.

Our Strategic Internal Audit Plan is designed to provide NHS Forth Valley, through the Audit and Risk Committee, with the assurance it needs to prepare an annual Governance Statement that complies with best practice in corporate governance. We also support the continuous improvement of governance, risk management and internal control processes by using a systematic and disciplined evaluation approach.

The objective of audit planning is to direct audit resources in the most efficient manner to provide sufficient assurance that key risks are being managed effectively.

Assessment

Standard Process – Previous Years

Our Strategic Internal Audit planning process is normally structured around an audit universe based on a 5 year cycle which links to the Strategic Risk Register and objectives. The process overtly demonstrates cyclical coverage of all strategic risks and is designed to allow Executive Directors and the Audit and Risk Committee to contribute their views on areas for inclusion. The resultant operational plan is again overtly linked to the relevant strategic risk, which will still be the focus of our work, together with any key governance or assurance elements required in order to provide a view on the overall adequacy and effectiveness of internal controls.

Current Year Process – 2022/23

Due to the significant impact of Covid19 on the risk profile of the organisation, a planning process which relied on a relatively static risk environment and change generally occurring in the medium to long term was no longer viable. As such, our view is very much that the plan will need to be flexible, responsive to the requirements of senior management and non executive directors and, to a certain extent, emergent as the risk profile changes and new information becomes available.

In order to provide a starting point for discussion, we obtained the views of the ELT with greater emphasis on the organisations current rather than cyclical needs, focusing on emergent risks and those with most immediacy, as the basis for a first draft plan.

However, we know that the organisational risk profile is changing rapidly, as is organisational understanding of those risks and we will present an updated plan later in the audit year.

Environmental and Change Risks

We actively take into account ongoing projects, forthcoming changes and our wider knowledge of the NHS to ensure we provide an appropriate level of audit coverage across all key areas and risks. This includes consideration of the following key sources of information:

- Corporate Strategy & Plans/ Annual Operational Plans/ local plans
- Themes / risks emerging from our Internal Control Evaluation work
- Previous internal audit reports
- External audit reports and plans
- Board website, internal policies and procedures
- Our NHS knowledge and experience
- Discussions with the ELT and the Audit and Risk Committee
- Changes to the risk profile due to Covid19

Assurance Mapping

Internal Audit are working with the Board to develop a process and timetable for the development of a holistic assurance mapping process to identify key sources of assurance and any gaps in independent assurance, which will then be taken into account in the formation of future Internal Audit Plans and audit scopes.

Other Stakeholders

There is congruence between Health Board internal audit plan and those of the Integrated Joint Board (IJB) Partners. The NHS Forth Valley Internal Audit Plan currently includes an allocation for internal audit of the IJBs (supplemented by contributions from Local Authority Internal Audit teams), with IJB Plans agreed with the IJB Chief Officers and Chief Finance Officers and approved by the IJB Audit and Risk Committees. The IJB Chief Officers will have the opportunity to influence the Health Board Plan as members of the ELT and there is a sharing protocol that allows for Health Board and Council Internal Audit Plans to be shared with the IJBs and vice-versa.

We will consult on the plan with our External Audit colleagues, take their comments into account and, as in previous years, we will ensure that work which will be relied upon by External Audit and that which provides assurance on the highest risk areas is prioritised.

Financial Implications

Financial Governance is a key pillar of the Annual Internal Audit Plan and value for money is a core consideration in planning all internal audit reviews.

Workforce Implications

Management responsibilities, skill sets and structures are a core consideration in planning all internal audit reviews. It is likely that the Board's workforce strategy, along with all key strategies will require fundamental review later in the year and this will be reflected in any later revisions to the Internal Audit plan. 2.3.3

Risk Assessment/Management

Individual internal audit assignments identify the key risks at the planning stage and our work is designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified. Legal requirements are a core consideration in planning all internal audit reviews.

Relevance to Strategic priorities

Non-completion of Governance Statement critical elements of the planned internal audit work would jeopardise the ability of the Chief Internal Auditor to provide this opinion and would therefore impact on the assurance system available to the Audit Committee, Chief Executive and the Board when considering the internal control framework.

Equality and Diversity, including health inequalities

All internal audit reviews which involve review of policies and procedures examine the way in which equality and diversity is incorporated in Board documentation.

Consultation Process

- The Chief Executive, Director of Finance and ELT have been consulted on this plan.

T Gaskin
Chief Internal Auditor

17 June 2022

Appendix 1 – Planned Audit Coverage 2022/23

For 2022/23 Internal Audit have 439 days available. The proposed audit allocation is documented in the table below.

| | Audit Process | Scope | 2022/23 days | Rationale |
|--------|--|---|---------------------|--------------------|
| | AUDIT MANAGEMENT | | 64 | |
| A01/23 | Audit Risk Assessment & Planning | Audit Risk Assessment and Operational Planning | 5 | |
| A02/23 | Audit Management & Liaison with Directors | Audit Management, liaison with Director of Finance and other officers | 15 | |
| A03/23 | Liaison with External Auditors | Liaison and co-ordination with External Audit | 4 | |
| A04/23 | Audit and Risk Committee | Briefing, preparation of papers, attendance and action points | 15 | |
| A05/23 | Clearance of Prior Year | Provision for clearance and reporting of 2021/22 audit reports | 25 | |
| | CORPORATE GOVERNANCE | | | |
| | <i>Accountability and Assurance</i> | | 80 | |
| A06/23 | Annual Internal Audit Report | CIA annual assurance to Audit and Risk Committee | 15 | |
| A07/23 | Governance Statement | Preparation of portfolio of evidence to support | 10 | |
| A08/23 | Internal Control Evaluation | Mid-year assurance for Audit and Risk Committee on specific agreed governance areas | 35 | |
| A09/23 | Audit Follow Up | Undertaking the follow up of audit action points and provision of related reports to the Audit and Risk Committee | 20 | <i>ELT request</i> |

| | Audit Process | Scope | 2022/23 days | Rationale |
|--------|---|---|---------------------|---|
| | <i>Control Environment</i> | | 10 | |
| A10/23 | Board, Operational Committees and Accountable Officer | Attendance and input / provision of advice at Standing Committees and other Groups | 5 | |
| A11/23 | Assurance Framework | Continuation of assurance mapping work across FTF Clients – CIA leading | 5 | |
| | <i>Risk Management</i> | | 15 | |
| A12/23 | Risk Management Strategy, Standards and Operations | Review of new Strategy and associated implementation plan | 10 | |
| A13/23 | Environmental Strategy | Initial planning by NHS FV to meet Environmental legislation | 5 | No risk as yet. |
| | <i>Health Planning</i> | | 60 | |
| A14/23 | Sustainability of service delivery | Arrangements to ensure sustainable service delivery. Implementation of Strategic Deployment Matrices | 20 | SRR 014 – Healthcare Strategy SRR 002 – Unscheduled Care SRR 004 - Scheduled Care |
| A15/23 | Health & Social Care Integration | Working with Forth Valley Local Authority internal audit services to deliver IJB Internal Audit Plans. CIA role for Clackmannanshire & Stirling IJB | 40 | SRR 014 – Healthcare Strategy |

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|--------|---|--|------------|---|
| | CLINICAL GOVERNANCE | | 25 | |
| A16/23 | Medicines Management | Review of controls within Pharmacy | 25 | SRR 005 – Financial stability <i>ELT request</i> |
| | STAFF GOVERNANCE | | 45 | |
| A17/23 | Workforce Sustainability | Workforce Strategy and Planning | 25 | SRR 009 – Workforce Plans <i>Deferred from 2021-22 due to delays in producing workforce Strategy</i> |
| A18/23 | Recruitment & Retention | Efficiency, effectiveness and timeliness of recruitment. Methods to retain staff. | 20 | SRR 009 – Workforce Plans |
| | FINANCIAL GOVERNANCE | | 100 | |
| | <i>Financial Management</i> | | | |
| A19/23 | Fraud & Probity | Provision of Fraud Liaison Officer duties (2022/23 is the first year of incremental implementation of the fraud standards and budget has been amended from 20 to 30 days to reflect this). | 30 | SRR 005 – Financial stability |
| A20/23 | Financial Sustainability (previously A21/22 – Financial Management) | Processes to identify cost improvements and review of controls to manage the cost improvement plan | 20 | SRR 005 – Financial stability <i>ELT request</i> |

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|--------|---|--|-----------|--|
| A21/23 | Additional payments to clinicians | Review of controls over authorisation and payment of additional payments | 15 | SRR 005 – Financial stability <i>ELT request</i> |
| | Capital Investment | | | |
| A22/23 | Property Asset Management Strategy (PAMS) | Arrangements for development of Property Asset Management Strategy | 15 | SRR 005 – Financial stability SRR 010 – Estates & Supporting Infrastructure |
| | Transaction Systems | | | |
| A23/23 | Endowments | Review of ward level procedures | 10 | |
| A24/23 | Departmental Procurement | Purchasing and requisitioning processes within the Acute division | 10 | SRR 005 – Financial stability <i>ELT request</i> |
| | INFORMATION GOVERNANCE | | 10 | |
| A25/23 | Cyber Resilience arrangements | Business continuity and resilience of Clinical systems | 10 | SRR 015 – Cyber Resilience |
| | CONTINGENCY and DEPARTMENTAL REVIEWS | | 30 | |
| A26/23 | Departmental Review | Departmental review of Out of Hours Service following service redesign | 15 | N/A <i>ELT request</i> |

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|--------|---------------------------------------|--|------------|--------------------|
| A27/23 | Emergency Department review – phase 2 | Determine if actions taken in response to the Emergency Department review have been effective in achieving intended improvements, both in the ED department and organisation wide. | 15 | <i>ELT request</i> |
| | TOTAL DAYS | | 439 | |