

AUDIT AND RISK COMMITTEE

Paper for Assurance

7.3 Internal Audit Plan 2021/22

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 & Risk Committee Chair and members.

As part of the annual planning process we have engaged with the Director of Finance and then with the wider Systems Leadership Team (SLT) 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. In addition, Audit & Risk Committee members were given the opportunity to provide Internal Audit with suggested areas for inclusion. No suggestions were received. The Annual Internal Audit Plan has been circulated to Audit & Risk Committee members and all members have approved the plan virtually.

The draft Internal Audit Operational Plan 2021/22 (appendix 1) has been mapped to the Strategic Risk Register (quarter 4 of 2020/21). The mapping has been reviewed and agreed by the Director of Finance and Corporate Risk Manager. The plan takes into account issues identified in recent internal audit reports, particularly the 2020/21 Internal Control Evaluation and Annual Internal Audit Report.

During 2021/22 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:

- **Note** the Internal Audit Operational Plan for 2021/22

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 2021/22 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 – 2021/22

Due to the significant and emergent 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 SLT 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 SLT and the Audit and Risk Committee
- Changes to the risk profile due to COVID-19

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 & Risk Committees. The IJB Chief Officers will have the opportunity to influence the Health Board Plan as members of the SLT 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, Corporate Risk Manager, SLT and Audit & Risk Committee members have been consulted on this plan.

Appendix 1 – Planned Audit Coverage 2021/22

For 2021/22 Internal Audit have 439 days available. The proposed audit allocation is documented in the table below.

Reference	Audit Process	Scope	Days	Strategic risk
	AUDIT MANAGEMENT		52	
A01/22	Audit Risk Assessment & Planning	Audit Risk Assessment & Operational Planning	8	
A02/22	Audit Management & Liaison with Directors	Audit Management, liaison with Director of Finance and other officers	15	
A03/22	Liaison with External Auditors	Liaison and co-ordination with External Audit	4	
A04/22	Audit & Risk Committee	Briefing, preparation of papers, attendance and action points	15	
A05/22	Clearance of Prior Year	Provision for clearance and reporting of 2020/21 audit reports	10	
	CORPORATE GOVERNANCE			
	<i>Accountability and Assurance</i>		80	
A06/22	Annual Internal Audit Report	CIA annual assurance to Audit & Risk Committee	10	
A07/22	Governance Statement	Preparation of portfolio of evidence to support Governance Statement	15	

A08/22	Internal Control Evaluation	Mid-year assurance for Audit and Risk Committee on specific agreed governance areas	35	
A09/22	Audit Follow Up	Review of the audit follow-up mechanism & selective examination of implementation of recommendations	10	
A10/22	Board Operational Committees and Accountable Officer	Attendance and input / provision of advice at Standing Committees and other Groups as required	5	
A11/22	Assurance Framework	Review of assurance structures, including Audit & Risk Committee; relevance, reliability, timeliness and quality of evidence	5	
	<i>Risk Management</i>		25	
A12/22	Risk Management Strategy, Standards and Operations	Review of strategy and supporting structures in order to conclude on risk maturity as required of the Public Sector Internal Audit Standards	10	
A13/22	Assurance Mapping	Continuation of assurance mapping work for the Unscheduled Care risk	15	SRR002 - Unscheduled Care
	<i>Health Planning</i>		95	
A14/22	Strategic Planning	Review of process to revise NHS Forth Valley Strategic Plan	15	SRR002 - Unscheduled Care SRR005 – Financial Breakeven

				SRR012 – COVID-19 Remobilisation
A15/22	Recovery, Redesign and Renewal	Review of the implementation of actions outlined in the 3rd iteration of the System wide Remobilisation Plan (April 2021 – March 2022), with a focus on renewal, redesign and links to transformation and strategy. Review of implementation of, and assurance on, controls identified in Strategic risk 012-Covid remobilisation.	20	SRR012 – Covid19 Remobilisation
A16/22	Primary Care Improvement Plan	Review of implementation of transformational and strategic actions outlined in Risk SRR01 - Primary Care	20	SRR001 – Primary Care
A17/22	Health & Social Care Integration – delivery of IJB audits	Working with Forth Valley Local Authority internal audit services to deliver IJB Internal Audit Plans. Chief Internal Auditor role for Clackmannanshire & Stirling IJB	40	
	CLINICAL GOVERNANCE		25	
A18/22	Clinical Effectiveness	Review of controls identified in risk SRR04- Elective Care with a focus on patient safety, clinical effectiveness, prioritisation and service reconfiguration	25	SRR004 – Scheduled Care
	STAFF GOVERNANCE		20	
A19/22	Workforce Planning	Review of process to update and implement Workforce Strategy and Workforce Plan, with a focus on links to required workforce improvements identified within other	20	SRR009 – Workforce Plans

		Strategic risks. Consideration of the appropriateness of the risk and controls outlined in SRR09 - workforce plans		SRR004 – Scheduled Care
	FINANCIAL GOVERNANCE		35	
A20/22	Fraud and Probity Arrangements	Provision of Fraud Liaison Officer duties	20	
A21/22	Financial Management	Assessing the extent to which financial planning incorporates controls and planned controls identified in risk SRR05 - Financial break-even, focusing on the extent to which transformational change incorporates the needs for financial sustainability and congruence with other strategies including workforce, estates and digital.	15	SRR005 – Financial Breakeven
	Capital Investment		20	
A22/22	Capital Planning	Review of Capital planning and PAMS update, to ensure congruence with wider strategic development and incorporation of post-Covid working practices. Implementation of controls outlined in risk SRR10, Estates and supporting infrastructure.	10	SRR010 – Estates and supporting infrastructure
A23/22	Property Transaction Monitoring	Efficient effective planning for property disposal.	10	
	Transaction Systems		15	
A24/22	Financial Process Compliance	Review of central finance functions - To be selected from central systems for: payroll,	15	

		travel, accounts payable, accounts receivable, banking arrangements.		
	<i>Patients Funds</i>		10	
A25/22	Operation of patient fund processes	Review of compliance with patients' fund processes	10	
	CONTINGENCY		62	
A26/22	Contingency Reserve		17	
A27/22	eESS	Review of selected controls within the Electronic Employee Support System (eESS)	10	
A28/22	Out of Hours Departmental Review	Compliance with policies & procedures & risk management arrangements within the Out of Hours service	15	
A29/22	Departmental Review (tbc)	Compliance with policies & procedures & risk management arrangements	20	
	Total Audit Days Available		439	