

# Governance, Risk and Best Value

10:00am, Tuesday 11 October 2022

## Internal Audit Annual Plan 2022-23 – Referral from the Edinburgh Integration Joint Board Audit and Assurance Committee

Item number  
Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Governance, Risk and Best Value Committee is requested to consider the Internal Audit Annual Plan 2022-23 referral from the Edinburgh Integration Joint Board Audit and Assurance Committee for information.

**Richard Carr**

Interim Executive Director of Corporate Services  
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# Referral Report

## Internal Audit Annual Plan 2022-23

### 2. Terms of Referral

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- 2.1 On 31 August 2022, the Edinburgh Integration Joint Board (EIJB) Audit and Assurance Committee considered the Internal Audit (IA) Annual Plan for 2022-23.
- 2.2 The EIJB Audit and Assurance Committee agreed:
- 2.2.1 To review and approve the 2022-23 Internal Audit Plan and supporting risk assessment.
  - 2.2.2 to note the costs (circa £50k) associated with the delivery of IA services by the Council to the EIJB (further detail included at paragraph 11 below).
  - 2.2.2 To refer the approved EIJB IA Plan to both the Council's Governance, Risk and Best Value Committee and the NHS Lothian Audit and Assurance Committee for information.
  - 2.2.4 To present a briefing paper to the December Committee to give an informal position on a third audit into the National Care Service.

### 3. Background Reading/External References

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- 3.1 None.

### 4. Appendices

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- 4.1 Appendix 1 – Report by the Senior Audit Manager, City of Edinburgh Council

# REPORT

## Internal Audit Annual Plan 2022/23

Audit and Assurance Committee

31 August 2022

### Executive Summary

1. The purpose of this paper is to present the Edinburgh Integration Joint Board (EIJB) draft Internal Audit (IA) plan for the 2022/23 financial year to the Committee for approval.
2. The proposed IA annual plan has been reduced from three to two audits, reflecting that the majority of the EIJB's most significant risks have been covered in prior year audits, and the ongoing assurance provided through the established IA follow-up process. This reduced coverage also recognises capacity challenges in the EIJB and Partnership as management continues to address ongoing Covid service delivery challenges.
3. It is IA's opinion that the two reviews and follow-up activity included in the revised plan will provide the appropriate level of assurance on the control frameworks designed to manage the EIJB's most significant risks, and that the plan can be delivered by Internal Audit resources currently available from the EIJB's two partners, the City of Edinburgh Council (the Council) and NHS Lothian (NHSL).
4. Reliance will be placed on relevant assurance reviews performed by the Council and NHSL IA teams in the respective partner organisations and referred to the EIJB Audit and Assurance Committee to inform the 2022/23 Internal Audit Annual Opinion. No reliance will be placed on assurance provided by any other second and third line of defence assurance providers.
5. The audit plan is risk based and is derived from the EIJB's risk register (as at February 2022) which identifies the key areas of risk.

### Recommendations

- It is recommended that the Audit and Assurance Committee:
1. Reviews and approves the 2022/23 Internal Audit plan and supporting risk assessment.

	<p>2. Note the costs (circa £50K) associated with delivery of IA services by the Council to the EIJB (further detail is included at paragraph 11 below).</p> <p>3. Refers the approved EIJB IA plan to both the Council’s Governance, Risk and Best Value Committee, and the NHS Lothian Audit and Assurance Committee for information.</p>
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**Directions**

Direction to City of Edinburgh Council, NHS Lothian or both organisations	No direction required	✓
	Issue a direction to City of Edinburgh Council	
	Issue a direction to NHS Lothian	
	Issue a direction to City of Edinburgh Council and NHS Lothian	

**Report Circulation**

1. Discussion with the EIJB’s Chief Officer and Chief Finance Officer
2. Audit and Assurance Committee

**Main Report**

3. The IA plan is driven by Public Sector Internal Audit Standards (PSIAS) requirements; the EIJB’s organisational objectives and priorities; and an assessment of the risks that could prevent the EIJB from meeting those objectives.
4. The plan is risk based and focuses on the governance, risks, and controls within the EIJB. The outcomes of the audits included in the plan will support the 2022/23 EIJB Internal Audit annual opinion, and inform the annual Governance Statement in the financial statements
5. The 2022/23 IA annual plan is based on the risk register that was presented at the EIJB Audit and Assurance Committee in February 2022; engagement with Health and Social Care Senior Management; EIJB Audit and Assurance Committee Elected Members; Azets (the EIJB’s currently appointed external auditors); and the Care Inspectorate. As the risk register has now been refreshed, the scope of the audits included in the annual plan will be mapped to the refreshed risks at the planning stage of the reviews.
6. The approach applied in developing the plan considered the outcomes of work performed across the EIJB by other second and third line assurance providers, and the extent to which reliance can be placed upon them.

7. The Audit and Assurance Committee's remit includes ensuring internal audit work is properly planned with due regard to risk, materiality and coverage, and agreeing annual IA plans
8. The plan includes two IA reviews to be completed by the EIJB's partners, the Council and NHSL. The Council will perform one review, and NHSL one.
9. The two audits included in the plan and follow up on findings raised in previously completed audits will provide sufficient assurance over all of the EIJB's auditable 'Very High' and 'High' rated risks, where no other assurance is provided.
10. Adequacy and capability of IA resources have been reviewed to confirm that sufficient resources, skills, and capability are available within the Council and NHSL to support delivery of the revised plan.

## **Implications for Edinburgh Integration Joint Board**

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### **Financial**

11. The total cost of IA services provided to the EIJB is circa £50K. This reflects delivery of the two IA reviews performed by the Council; ongoing follow-up; preparation of committee reports; and attendance at the EIJB Audit and Assurance and other relevant committees.
12. Any requirement to increase assurance provision as a result of new and emerging risks may also result in the need to fund additional IA resource.

### **Legal / risk implications**

13. The IA plan is not sufficiently comprehensive to provide the level of assurance that the Integration Board requires in all the areas that it needs.
14. That IA cannot obtain the necessary access to the records; assets; physical; properties; and personnel of the EIJB's partner organisations (the Council and NHSL) to enable delivery of the EIJB annual plan and annual opinion.

### **Equality and integrated impact assessment**

15. There are no equality impacts.

### **Environment and sustainability impacts**

16. No direct sustainability impacts.

## **Consultation**

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17. The IA plan is based on the EIJB's risk register as at February 2022 and subsequent discussion with management and the EIJB Audit and Assurance Committee.

18. The two IA reviews will be performed by the Integration Joint Board's partners IA functions (one by the City of Edinburgh Council and one by NHSL). These audits have been incorporated into the internal audit plans of those organisations.
19. Delivery of the EIJB IA plan is likely to involve input from the partner organisations that provide support to the EIJB (the Council and NHSL) under the terms of the EIJB Scheme of Integration.
20. The EIJB Internal Audit Charter (presented to the Audit and Assurance Committee in March 2022) notes in the section on 'Authority' that IA is authorised by the EIJB Audit and Assurance Committee to have full, free, and unrestricted access to any and all of the EIJB's records, assets, physical properties, and personnel, and those of its partners, the Council and NHSL.

## Report Author

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## Background Reports

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None

## Appendices

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Appendix 1      Draft EIJB Internal Audit Plan 2022/23

## **Appendix 1**

# **The Edinburgh Integration Joint Board**

## **Internal Audit Annual Plan 2022/23**

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## Internal Audit Annual Plan 2022/23

### 1. Introduction and Approach

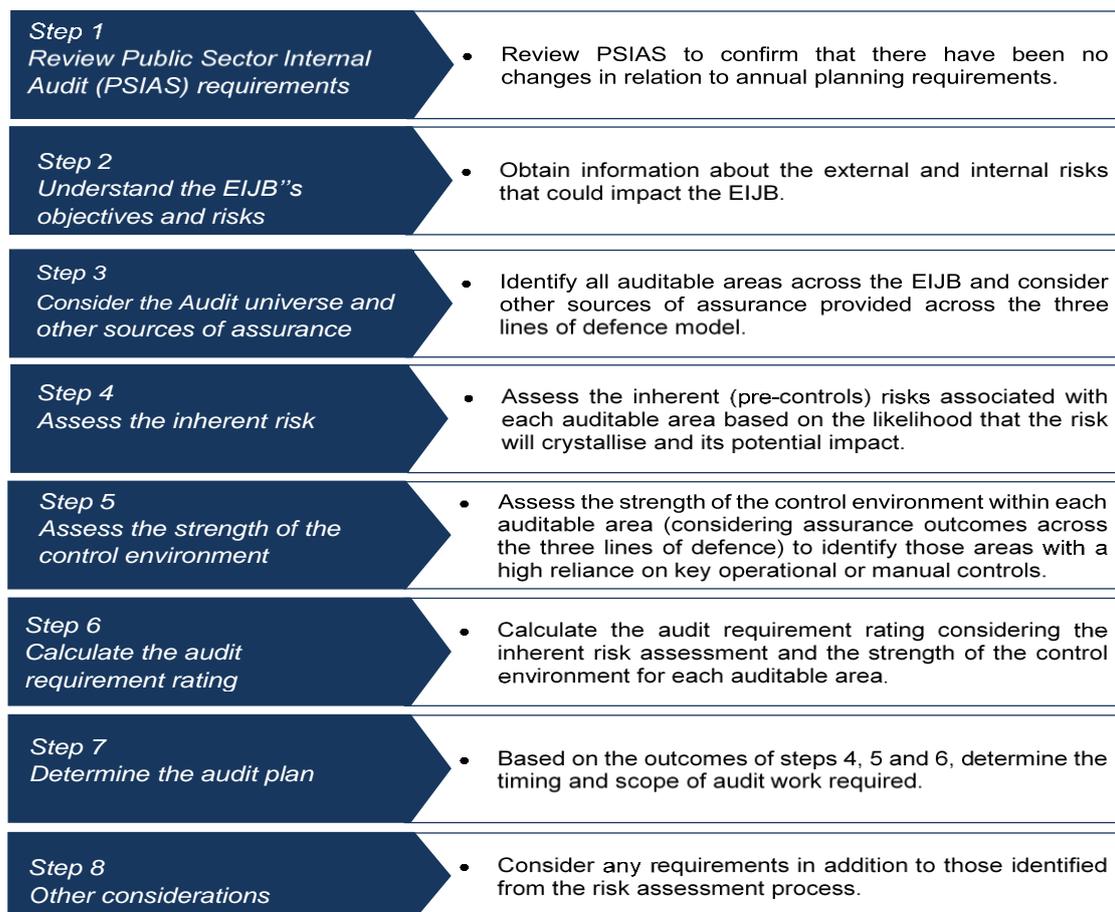
#### 1.1 Introduction

This document sets out the scope of the draft Internal Audit (IA) 2022/23 annual plan and supporting risk assessment for The Edinburgh Integration Joint Board (the EIJB). The objective of the plan is to deliver assurance on the design adequacy and operating effectiveness of the key controls established to mitigate the EIJB's most significant risks.

#### 1.2 Approach

A summary of the approach applied when assessing the EIJB's key risks and preparing the annual plan is set out below in Figure 1. The IA plan is driven by Public Sector Internal Audit Requirements (PSIAS); the EIJB's organisational objectives and priorities; and an assessment of the risks that could prevent the EIJB from meeting those objectives.

Figure 1: Approach applied in developing the 2022/23 IA Annual Plan



### ***1.3 Step 1 - Review Public Sector Internal Audit (PSIAS) requirements***

The draft IA plan has been developed based on the requirements of the Public Sector Internal Audit Standards (PSIAS) which specify that:

- The Chief Internal Auditor (CIA) must develop a risk-based plan that is consistent with the organisation's goals, and determines the priority of IA activity;
- The plan must be based on a documented risk assessment, undertaken at least annually, with input from senior management and the board;
- The CIA must consult with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, and associated risks and risk management processes;
- The plan must consider the requirement to produce an annual internal audit opinion;
- The plan must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to organisational objectives and priorities;
- The CIA must communicate the internal audit activities, plans, and resource requirements, including significant interim changes, to senior management and the board for review and approval;
- The CIA must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan;
- The plan must explain how internal audit's resource requirements have been assessed. Where the CIA believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board; and
- The CIA must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

### ***1.4 Step 2- Understand the EIJB's Objectives and Risks***

The annual Internal Audit Plan is based on an annual assessment of the EIJB's key risks and operations (the audit universe). The outcomes of the risk assessment process are included at Section 2.

The risk assessment process involved review of the EIJB risk register as at February 2022, and discussions with the Health and Social Care Partnership senior management team; External Audit (Azets); and the Care Inspectorate.

### ***1.5 Step 3 - The Audit universe and other assurance providers***

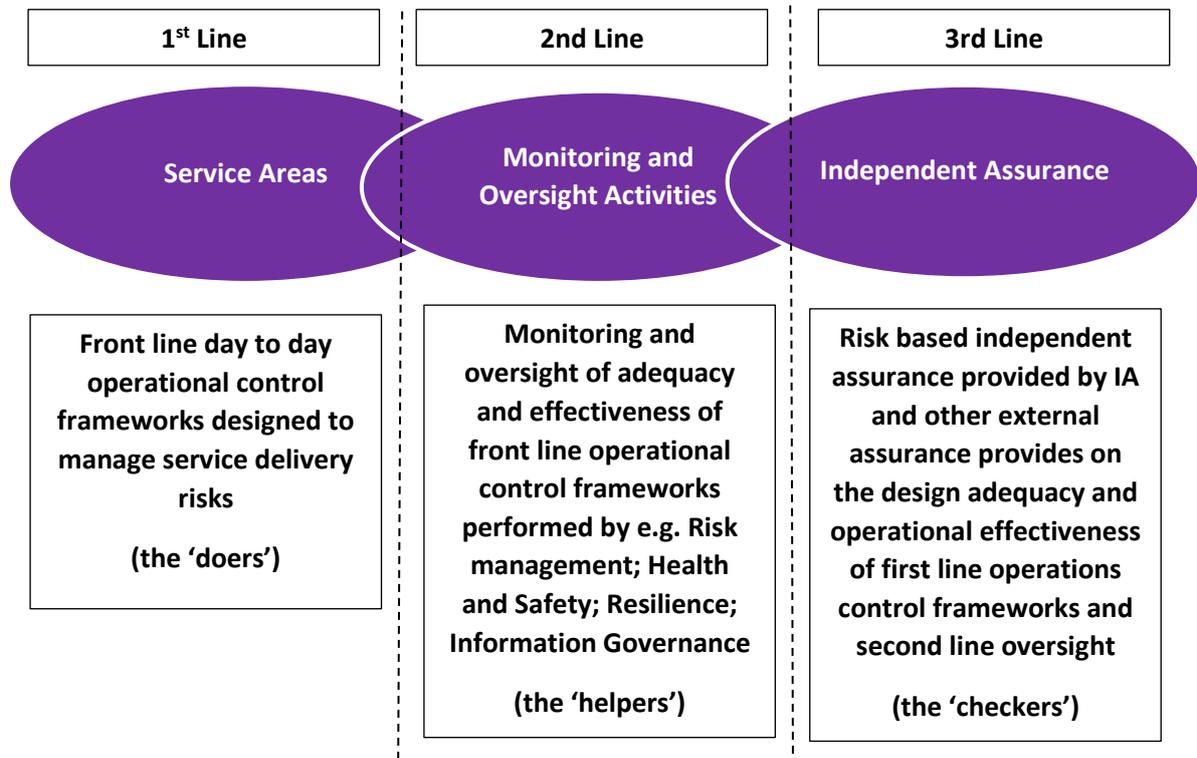
#### ***1.5.1 The Audit Universe***

The EIJB's audit universe is essentially its entire organisational structure.

#### ***1.5.2 The Three Lines Model***

The approach applied in developing the plan also considers Internal Audit’s role as one of the EIJB’s 3rd line independent assurance providers. The diagram below outlines the three lines assurance model.

Figure 2: The “Three Lines” model



### 1.5.3 Other Assurance Providers

In developing our internal audit risk assessment, we have considered other sources of assurance and the extent to which reliance can be placed upon them. A summary of other sources is detailed below:

- The results of audit work performed by the Council and NHS Lothian (NHSL) Internal Audit teams;
- External inspections such as those undertaken by the Care Inspectorate and Audit Scotland;
- External audit undertaken by Azets; and
- Information Commissioner Reviews and inspections.

We intend to place reliance upon the activities of the City of Edinburgh Council and the NHS Lothian Internal Audit teams as we have sufficient visibility over their internal processes and procedures (including quality procedures) to be able to conclude that the audits that they undertake are prepared to a standard that is consistent with the requirements of the PSIAS.

Although we have no concerns over the other potential sources of assurance noted above, we note that these organisations are not seeking to conduct their activities in a manner that is compliant with the PSIAS. We do not have sufficient visibility (and it is not practical to

gain such visibility) over their relevant internal processes to be able to draw a conclusion as to whether reliance can be placed upon their activities for the purposes of developing our EIJB Internal Audit annual opinion for 2022/23.

## **2. Steps 4- 6 - Risk Assessment**

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The annual plan is based on the EIJB risk register that was presented to the Audit and Assurance Committee in February 2022.

Each inherent (pre controls) risk has been reviewed to assess whether it can be audited; whether assurance is available from other assurance providers; and whether IA assurance is required for 2022/23. The outcomes of this assessment are detailed at 2.1 below.

## 2.1 EIJB Risk Register as at February 2022

Risk		Inherent Risk Rating	Auditable Risk	Other Assurance Source	Proposed IA coverage for 2022/23
<b>1. Strategic planning and commissioning</b>					
1.1	Failure to deliver EIJB strategic objectives leading to a requirement to revise the strategic plan	High	Y	N	Covered in the 2020/21 audit of Capital and Workforce Planning and 2021/22 audit of Strategic Implications of Covid-19 lessons learned. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>
1.2	Failure to influence decision-making over services that are not managed by the EHSCP leading to the inability to review service delivery and drive strategy.	High	Y	N	Covered in the 2020/21 audit of Management Information. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>
1.3	Failure to deliver delegated services within available budgets leading to a requirement to revise the Strategic Plan.	High	Y	N	Review of Financial and Budget Management completed in 2018/19. Covid-19 Financial Management audit completed in 2020/21. <b>Proposed 2022/23 audit of Set Aside Budget Setting and Monitoring Processes.</b>
1.4	Insufficient asset planning arrangements leading to failure or delays in delivering the strategic plan.	High	Y	N	Covered in the 2020/21 audit of Capital and Workforce planning. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>
<b>2. Issuing of Directions</b>					
2.1	Failure of NHS Lothian and The City of Edinburgh Council in delivering directions leading to confusion and inefficiency.	High	Y	N	Review of the design of the new Directions setting framework completed in 2019/20. <b>Proposed 2022/23 audit of Governance of Directions.</b>
2.2	Failure of NHS Lothian and The City of Edinburgh Council to deliver directions leading to services not aligned to strategic intentions.	Very High	Y	N	Review of Management information with focus on partner performance MI and linkage to directions completed in 2020/21 and Strategic Implications of Covid-19 Lessons learned in 2021/22. <b>Proposed 2022/23 audit of Governance of Directions.</b>

Risk	Inherent Risk Rating	Auditable Risk	Other Assurance Source	Proposed IA coverage for 2022/23
<b>3. Management and role of the EIJB</b>				
3.1	Inability to operate effectively as a separate entity leading to a failure to deliver the principles of integration.	Medium	Y	N Covered by the 2018/19 Governance audit. <b>Review of transitional plans for the reform of the Integration Joint Board to Community Health and Social Care Boards suggested for 2023/24 audit plan.</b>
3.2	Failure to make best use of the expertise, experience and creativity of its partners leading to a negative impact on the delivery of the strategic outcomes and poor relationships	Medium	Y	N Covered in the the 2018/19 Strategic Planning audit and 2021/22 audit of Strategic implications of Covid-19 lessons learned. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>
3.3	EIJB infrastructure lacks the professional, administrative and technical infrastructure to operate effectively leading to failures in governance, scrutiny and performance arrangements.	High	Y	N Reviewed in the 2018/19 Integration Scheme audit. Additional coverage in the 2021/22 audit of Risk Management. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>
3.4	Insufficient or poor-quality assurance from assurance providers to support effective delivery of their scrutiny responsibilities.	Medium	Y	N Covered in the 2021/22 audit of Risk Management and 2021/22 audit of Delivery of EIJB Legislative and Regulatory requirements. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>
3.5	Non-compliance with applicable legislative and regulatory requirements leading to legal breaches, fines and/or prosecution.	Low	Y	N Covered in the 2021/22 audit of Delivery of EIJB Legislative and Regulatory requirements. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>
3.6	Officers with operational responsibilities are being asked to scrutinise performance in areas where they are not totally independent leading to inadequate oversight of delegated EIJB functions.	Low	Y	N Covered in the 2021/22 audit of Risk Management. <b>Follow up will continue to be performed on findings raised in 2022/23.</b>

### 3. Step 7 - Annual Internal Audit plan

#### 3.1 Internal Audit Resources

The EIJB is reliant upon its two partners (the Council and NHS Lothian [NHSL]) for provision of IA services. A formal secondment arrangement has been established between the Council and the EIJB for provision of three audits each year (a total of 75 audit days) and fulfilment of the role of Chief Internal Auditor. NHSL has also confirmed that they will deliver one audit in the 2022/23 plan year for the EIJB.

The current level of available IA resources from the Council and NHS Lothian will provide the appropriate level of assurance on the control frameworks designed to manage the EIJB's most significant risks.

#### 3.2 Annual plan and indicative timeline

This capacity will enable provision of assurance on all of the 'Very High and 'High' rated EIJB auditable risks where other assurance is not provided.

It is important to note that IA assurance activity includes follow-up to confirm that agreed management actions have been effectively implemented and sustained to support closure of previously raised IA findings.

The draft 2022/23 IA plan is detailed below at Figure 3 below. Each proposed review and ongoing follow-up activity have been cross referenced to the corresponding risks included in the risk register and includes indicative timeframes.

Figure 3: 2022/23 draft Internal Audit plan

	Description	Internal Audit Team	Q1	Q2	Q3	Q4	Link to Inherent Risk
1	<b>Review of set aside budget setting and monitoring processes</b> - including identification of services and their associated costs; underlying budget assumptions; and financial reporting to the IJB on ongoing set aside budget management.	NHSL		✓			1.3 (High)
2	<b>Governance of Directions</b> – review of governance arrangements for directions to ensure they are associated with EIJB decisions; are revised in response to transformation, service redesign, and financial developments; and partner implementation and performance is monitored.	CEC			✓		2.1 (High)  2.2 (Very High)

Internal Audit Follow-up of completed EIJB reviews	Risk Reference
2016/17 - Data Integration and Sharing	3.3 (High)
2017/18 - Health and Social Care Purchasing Budget Management	1.3 (High)
2017/18 - Social Care Commissioning	1.2 and 1.3 (both High)
2018/19 - Strategic Planning	1.1 and 1.4 (both High);
2020/21 - Capital and workforce planning	1.4 (High)
2020/21 – Management Information	2.2 (Very High)
2021/22 – Strategic Implications of Covid-19 Lessons Learned	1.1 (High) 2.2 (Very High)
2021/22 – Delivery of Legislative and Statutory Requirements	3.4 (Medium) 3.5 (Low)
2021/22 – Risk Management, Board Rotation and Induction Arrangements	3.3 (High) 3.4 (Medium) 3.6 (Low)

### **3.3 Basis of our annual Internal Audit opinion**

In developing the annual plan, we have considered the PSIAS requirement to produce an annual Internal Audit Opinion by determining the necessary level of internal audit coverage required to provide assurance over the EIJB’s audit universe and key risks.

Our annual Internal Audit Opinion will be based on and limited to the outcomes from internal audits completed during the year; the reported overdue IA recommendations position as at 31 March 2023; and will be informed by any audits referred to the EIJB Audit and Assurance Committee by the Council and NHSL. No reliance will be placed on assurance provided by any other parties.

Internal audit work supporting the annual Opinion will be performed in accordance with our IA methodology which is aligned to PSIAS requirements. Consequently, our work and deliverables are not designed or intended to comply with any other auditing standards.

## **4. Step 8 - Other Considerations**

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There were no other considerations that require to be reflected in the 2022/23 Internal Audit annual plan.

## Appendix 1: Inherent Risk Assessment Process

- The internal audit plan is based on the draft risk register presented to the EIJB Audit and Assurance Committee in February 2022. The inherent (pre controls) risk rating for each risk considers the impact of the risk should it crystallise, and the likelihood that it will crystallise, and is assessed using the table below:

Likelihood	Consequence				
	Neg	Min	Mod	Maj	Ext
Almost Certain	M	H	H	VH	VH
Likely	M	M	H	H	VH
Possible	L	M	M	H	H
Unlikely	L	M	M	M	H
Rare	L	L	L	M	M