

Angus Integration Joint Board

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Angus IJB
March 2023

Contents

Introduction	3
Financial statements audit planning	5
Wider Scope and Best Value	9
Reporting arrangements, timetable, and audit fee	11
Other matters	14
Appendix 1. Your audit team	15

Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of Angus Integration Joint Board (the Joint Board). The main elements of our work include:

- an audit of the annual accounts, and provision of an Independent Auditor's Report
- audit opinions on the financial statements and other statutory information published within the annual accounts including the Management Commentary, the Annual Governance Statement and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements.

Audit Appointment

2. We are pleased to be appointed as the external auditor of the Joint Board for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to the Joint Board through our external audit work by being constructive and forward looking, by attending meetings of the IJB and Audit Committee, and by recommending and encouraging good practice. In so doing, we will help the Joint Board promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and Audited Body

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the Joint Board. Key responsibilities are summarised below.

Auditor responsibilities

7. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

8. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements at the Joint Board. In doing this, we aim to support improvement and accountability.

The Joint Board responsibilities

9. The Joint Board is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. The Joint Board has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

Communication of fraud or suspected fraud

11. In line with the ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this plan to the Audit Committee we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud that should be brought to our attention. During our audit, should members of the Joint Board have any such knowledge or concerns relating to the risk of fraud within it, we invite them to communicate this to us for our consideration.

Financial statements audit planning

Introduction

12. The annual accounts are an essential part of demonstrating the Joint Board's stewardship of resources and its performance in the use of those resources.

13. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

14. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2022/23 audit

15. We assess materiality at different levels and the materiality values for the Joint Board are set out in [Exhibit 1](#).

Exhibit 1

2022/23 Materiality levels for the Joint Board

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the Joint Board's operations. It has been set at 2% of gross expenditure based on the latest audited annual accounts for 2021/22.	£3.65 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the annual accounts audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.	£2.74 million

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.

£183,000

Source: Audit Scotland

Significant risks of material misstatement to the annual accounts

16. Our risk assessment draws on our cumulative knowledge of the Joint Board, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

17. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

18. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> Assurances will be obtained from the auditors of NHS Tayside and Angus Council over the completeness accuracy and allocation of income and expenditure. Agreement of balances and transactions to financial reports / ledger NHS Tayside and Angus Council. Detailed testing of any significant year-end adjustments. Evaluate any significant unusual transactions outside the normal course of business.

Significant risk of material misstatement	Sources of assurance	Planned audit response
to be operating effectively.		

Source: Audit Scotland

Consideration of the risks of fraud in the recognition of revenue and expenditure

19. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. The IJB is wholly funded by NHS Tayside and Angus Council. We assess that the risk of material misstatement arising from fraud over income is limited. We have therefore rebutted the risk of fraud over income.

20. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Due to the nature of the Joint Board's expenditure and assurances from the host bodies, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2022/23.

21. Assurances over the accuracy and completeness of IJB transactions will be obtained from the auditors of Angus Council and NHS Tayside.

22. We have not incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

23. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

24. The areas of specific audit focus are:

- **Reserves:** The Joint Board holds an earmarked reserve balance for Covid-19 funding carried-forward from 2021/22. Scottish Government have outlined arrangements to enable Covid reserve balances to be returned through NHS Board allocations back to the Scottish Government. The accounting treatment has not yet been confirmed but we will review these and the disclosures in the annual accounts.

- **Large Hospital Set Aside and Mental Health Services estimates:** The calculation of amounts attributable to these key areas involves significant management estimation and judgement which increases the risk of material misstatement. Our audit work will include evaluating the robustness of the methodologies for determining each of these costs.

Wider Scope and Best Value Audit

Introduction

25. The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

26. In summary, the four wider scope areas cover the following:

- **Financial management** means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. The Joint Board and its partners continue to face significant financial pressures from funding reductions and increasing demand. There is a risk that the Joint Board, in partnership with NHS Tayside and Angus Council, may not be able to identify sustainable savings measures or meet cost pressures as they arise. We will comment on planning for financial sustainability in the medium and longer term.
- **Vision, leadership and governance** – we conclude on the arrangements in place to deliver the vision, strategy and priorities adopted by the Joint Board. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how the Joint Board demonstrates economy, efficiency and effectiveness through the use of financial and other resources. Our 2021/22 Annual Audit Report highlighted vacancies in some senior roles not filled timeously. Succession planning is essential to ensure continuity and avoid the loss of knowledge and experience.

27. Our planned work on our wider scope responsibilities is risk based and proportionate and in addition to local risks we consider challenges which are impacting the public sector as a whole. In 2022/23 we will consider tackling climate change and responding to cyber security threats.

Climate Change

28. Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions

by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

29. The Auditor General and Accounts Commission are developing a programme of work on climate change. In 2022/23, we will gather information on the Joint Board's arrangements for responding to climate change covering areas such as the development of climate change strategies and the monitoring and reporting of progress against targets for reducing emissions.

Cyber Security

30. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we will consider the Joint Board's arrangements for managing and mitigating cyber security risks with its partners.

Duty of Best Value

31. Auditors have a duty to be satisfied that bodies that fall within section 106 of the 1973 Act have made proper arrangements to secure Best Value. We will consider how the Joint Board demonstrates that it is meeting its Best Value responsibilities and we will report our findings as part of our Annual Audit Report.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

32. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

33. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

34. We will provide an independent auditor's report to the Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Board and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

35. [Exhibit 3](#) outlines the target dates for our audit outputs, and we will aim to issue the independent auditor's report by the statutory deadline of 30 September 2023.

Exhibit 3

2022/23 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2023	26 April 2023
Independent Auditor's Report	27 September 2023	TBC
Annual Audit Report	27 September 2023	TBC

Source: Audit Scotland

Timetable



36. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is realistic and is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

37. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality. In 2022/23 we may not meet the target of concluding the audit and signing the accounts by 30 September, but we hope to be as close to this as possible.

38. We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 4

Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	21 June 2023
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	30 June 2023
Latest date for final clearance meeting with the Chief Finance Officer	8 September 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	13 September 2023
Agreement of audited and unsigned accounts	13 September 2023
Issue of Annual Audit Report to those charged with governance.	27 September 2023
Signed Independent Auditor's Report	27 September 2023

Source: Audit Scotland

Audit fee

39. In determining the audit fee, we have taken account of the risk exposure of the Joint Board's and the planned management assurances in place. The agreed audit fee for 2022/23 is £31,470 (£27,960 in 2021/22).

40. Our fees have increased in 2022/23 and this reflects current audit market and the rising costs in delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

41. In setting the fee for 2022/23 we have assumed that the Joint Board has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

42. It is the responsibility of the Joint Board to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

43. While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

44. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

45. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

46. The appointed auditor for the Joint Board is Pauline Gillen, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Joint Board's.

Audit Quality

47. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

48. Audit Scotland is committed to delivering high quality audits. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and supplementary guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

Appendix 1. Your audit team

49. The audit team involved in the audit of the Integration Joint Board have significant experience in public sector audit.

Pauline Gillen
Audit Director
PGillen@audit-scotland.gov.uk

Pauline has over 16 years of public sector auditing experience. Pauline has worked across the breadth of the public sector on both financial and performance audits.

Mark Laird
Senior Audit Manager
mlaird@audit-scotland.gov.uk

Mark has 13 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Neil O'Connor
Senior Auditor
NOConnor@audit-scotland.gov.uk

Neil has 25 years of public sector auditing experience and considerable experience in planning and delivering audits. Neil will manage the team and work alongside the Senior Audit Manager and Audit Director to deliver the audit.

50. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

Angus Integration Joint Board

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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