

East Dunbartonshire Integration Joint Board

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

Prepared for East Dunbartonshire Integration Joint Board

February 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit
2. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

3. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for East Dunbartonshire Integration Joint Board. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p>2 Risk of fraud over expenditure</p> <p>The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure.</p> <p>The expenditure of the IJB is processed through the financial systems of East Dunbartonshire Council (EDC) and NHS Greater Glasgow & Clyde (NHSGG&C). There is a risk that non IJB</p>	<p>Robust budget monitoring.</p>	<p>Obtain assurances from the auditors of East Dunbartonshire Council and NHSGG&C over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are</p>

Audit Risk	Source of assurance	Planned audit work
<p>related expenditure is incorrectly posted to IJB account codes.</p>		<p>recorded in the correct financial year.</p>
<p>3 Hospital Acute Services (Set Aside)</p> <p>The “set aside” budget is the Integration Joint Board’s share of the budget for delegated acute services provided by large hospitals on behalf of the Joint Board.</p> <p>The budget and actual expenditure reported for the “set aside” were equal in 2016/17: the amount set aside, was based on 2014/15 activity levels and provided by NHS National Services Scotland’s Information Services Division.</p> <p>There is a risk that the income and expenditure of the Joint Board is misstated in 2017/18 due to the lack of current activity information.</p> <p>There is a risk that the sum set aside recorded in the annual accounts will not reflect actual hospital use in the 2017/18 accounts.</p>	<p>A Group has been established to review the arrangements for the set aside. The first part of this work is to agree on the performance measurements to be used as an indication of usage of un-scheduled care and the budgets attached to this activity. This also forms part of national work supported through the newly established Integration Finance Development Group where the development of the mechanism for set aside is a key priority area.</p>	<p>Engage with officers to ensure that a robust mechanism has been developed to quantify set aside income and expenditure.</p> <p>Monitor Scottish Government guidance on the treatment of set aside in the 2017/18 financial statements to establish whether the financial statements are compliant.</p>
<p>Wider dimension risks</p>		
<p>4 Financial Management and Sustainability</p> <p>Based on the current 2017/18 budget monitoring (for the period to 30 November 2017) there is a projected overspend of £2.6 million. This is mainly due to overspends in Adult Social Care and Children’s & Criminal Justice services. The IJB also needs to identify a further £0.5 million of savings.</p> <p>In addition, there are no medium to long term financial plans in place to demonstrate how the IJB will secure the financial sustainability of its services in the future.</p> <p>There is a risk that the IJB may not be able to generate sufficient efficiencies and cost savings to bridge the funding gap and that the IJB is not planning adequately over the medium to long term to manage or respond</p>	<p>Ongoing monitoring of expenditure against budget.</p>	<p>Ensure budget monitoring is robust and accurately reflects the financial position.</p> <p>Confirmation of agreement of funding and balances with host bodies.</p>

Audit Risk	Source of assurance	Planned audit work
to significant financial risks.		
<p>5 Transparency</p> <p>Although minutes and papers for each Board meeting are available through the EDC website, other committee/group papers are not publicly available.</p> <p>Service users, members and staff may have difficulty in accessing information and there is a risk that the IJB's status as leader in health and social care is diluted.</p>	<p>A website specific for the IJB has recently been established which can be accessed through the EDC website. A review of arrangements for supporting the website is underway and part of this will include arrangement for the regular publishing of reports for standing committee.</p>	<p>Monitoring of website for availability of committee papers.</p>
<p>6 Best Value</p> <p>The statutory duty of Best Value applies to all public bodies in Scotland. Currently the Joint Board does not have systems and processes in place to ensure that it is able to demonstrate Best Value in service provision.</p> <p>There is a risk that, the IJB is unable to demonstrate that it is delivering Best Value.</p>	<p>The IJB will undertake a formal review of its performance against the Scottish Government's Best Value Framework.</p>	<p>A position statement will be reported in the Annual Audit Report.</p>

Reporting arrangements

4. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

5. 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 officer(s) to confirm factual accuracy.

6. We will provide an independent auditor's report to East Dunbartonshire Integration Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the Chief Officer and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2 2017/18 Audit outputs

Audit Output	Target date	Audit Committee (or equivalent) Date
Annual Audit Plan	31 March 2018	21 February 2018
Annual Audit Report	28 September 2018	TBC

Audit Output	Target date	Audit Committee (or equivalent) Date
Independent Auditor's Report	28 September 2018	TBC

Audit fee

7. The agreed audit fee for the 2017/18 audit of East Dunbartonshire Integration Joint Board is £24,000. In determining the audit fee we have taken account of the risk exposure of the IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 15 June 2018.

8. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Chief Officer

9. Audited bodies have 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 successfully deliver their objectives.

10. The audit of the financial statements does not relieve management or the IJB Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

11. Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the auditing profession's ethical guidance.

12. Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

13. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the IJB and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

14. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the IJB and their expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements

Materiality

15. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinion in the auditor's report.

16. We calculate materiality at different levels as described below. The calculated materiality values for the IJB are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018 based on the latest audited accounts.	£1.504 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of planning materiality.	£0.903 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£15,000

17. We review and report on other information published with the financial statements including the management commentary, annual governance report and the remuneration report. Any issue identified will be reported to the IJB Audit Committee.

Timetable

18. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	TBC
Latest submission date of unaudited annual accounts with complete working papers package	15 June 2018
Latest date for final clearance meeting with Chief Finance & Resources Officer	TBC
Issue of letter of representation and proposed independent auditor's report	TBC
Agreement of audited unsigned annual accounts	TBC
Issue of Annual Audit Report including ISA 260 report to those charged with governance	28 September 2018
Independent auditor's report signed	28 September

Internal audit

19. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by a team from East Dunbartonshire Council and NHS Greater Glasgow and Clyde on a joint basis.

Areas of Internal Audit reliance

20. To support our audit opinion on the financial statements we plan to place formal reliance on the following planned internal audit reviews:

- Homecare Follow Up
- Carefirst Payments

21. In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- Social Work Contract Monitoring

Audit dimensions

22. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

23. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

24. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

25. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

26. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively.
- whether there is effective scrutiny, challenge and transparency on the decision – making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money/ Best Value

27. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the Joint Board can provide evidence that it is delivering value for money in its use of resources, has a focus on improvement and that there is a clear link to the outcomes delivered.

28. In this context, IJBs should have arrangements in place to ensure that they can demonstrate how they are fulfilling their duty of Best Value. It is recognised that this is an area that IJBs need to develop. We are to monitor and report on progress in the Annual Audit Report.

29. In Autumn 2018 Audit Scotland intends to publish, on behalf of the Auditor General and the Accounts Commission, a second national performance audit report on Health and Social Care Integration. We will contribute to the intelligence for this report as required from the IJB's perspective.

30. In addition, Audit Scotland has requested auditors to provide information to support Audit Scotland in assessing the impact of the Changing Models of Health and Social Care performance audit (published in March 2016) during 2017/18.

Independence and objectivity

31. Auditors appointed by the Accounts Commission or Auditor General 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. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

32. The engagement lead for Audited Body is Fiona Mitchell-Knight, Assistant 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 East Dunbartonshire Integration Joint Board.

Quality control

33. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

34. 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 relevant supporting 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, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

35. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Adding Value

36. Through our audit work we aim to add value to the IJB. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the IJB has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

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