

East Ayrshire Integration Joint Board

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for East Ayrshire Integration Joint Board

February 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 external audit of East Ayrshire 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
- an audit opinion on other statutory information published within the annual accounts including the management commentary, the annual governance statement and 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.

Respective responsibilities of the auditor and the IJB

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

Auditor responsibilities

3. 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.

4. 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 arrangements within the IJB to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

The Joint Board responsibilities

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

6. 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

7. 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 and Performance 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.

Adding value

8. We aim to add value to the Joint Board through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing so, we will help the Joint Board promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Audit and Performance Committee and actively participate in discussions.

Financial statements audit planning

Introduction

9. The annual accounts are an essential part of demonstrating East Ayrshire Integration Joint Board's (the Joint Board) stewardship of resources and its performance in the use of those resources.

10. 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

11. Materiality is an expression of the relative significance of a matter in the context of the annual accounts. 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 determine with reasonable confidence whether the annual accounts 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 2023/24 audit

12. We assess materiality at different levels as described in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for the IJB

Materiality	Amount
<p>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 IJB's operations. It has been set at 2% of gross expenditure based on the latest audited annual accounts for 2022/23.</p>	£5.9 million
<p>Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the annual accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.</p>	£4.5 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. £0.290 million

Source: Audit Scotland

Significant risks of material misstatement to the annual accounts

13. 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.

14. 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.

15. Based on our risk assessment process, we identified the following significant risk of material misstatement to the annual accounts. This is a risk which has 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

2023/24 Significant risks of material misstatement to the annual accounts

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</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 Ayrshire and Arran and East Ayrshire Council over the completeness, accuracy and allocation of income and expenditure. Evaluate any significant unusual transactions outside the normal course of business.

Source: Audit Scotland

16. As part of our assessment of audit risks, we have not identified any other areas of specific audit focus.

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

17. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, 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. We have rebutted this presumed risk in 2023/24 as, while the possibility of fraud exists, we do not judge it to be a significant risk due to the revenue streams coming from the partner bodies of NHS Ayrshire and Arran and East Ayrshire Council.

18. 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 Integration Joint Board's expenditure, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2023/24.

19. Assurances over the accuracy and completeness of Integration Joint Board transactions will be obtained from the auditors of NHS Ayrshire and Arran and East Ayrshire Council.

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

Audit of the Management Commentary, Annual Governance Statement and Remuneration Report

21. In addition to the appointed auditor's opinion of the financial statements, the appointed auditor is required to provide opinions as to whether the Management Commentary, the Annual Governance Statement and the Remuneration Report have been compiled in accordance with the appropriate regulations and frameworks and are consistent with the Annual Accounts.

22. To inform these opinions we will consider whether the disclosures within each statement comply with the applicable guidance and confirm that relevant information reflects the contents of the Annual Accounts and other supporting documentation.

Wider Scope and Best Value Audit

Introduction

23. 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.

24. 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. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).
- **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, including its workforce.

Significant wider scope risk

25. We have identified one significant wider scope audit risk in the area set out in [Exhibit 3](#) overleaf. This exhibit sets out the risk, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risk.

Exhibit 3

2023/24 significant wider scope risk

Description of risk	Sources of management assurance	Planned audit response
<p>1. Financial sustainability</p> <p>A high-level update to the medium-term financial plan was presented to the IJB Board on 23 March 2022 as part of the 2023/24 budget. The paper outlined financial challenges and uncertainties and outlined the need to achieve savings through change and redesign.</p> <p>The mid-year financial monitoring report for 2023/24 presented to the Integration Joint Board projecting a year-end overspend of £4.059 million.</p> <p>In line with the Integration Scheme, the Joint Board approved a 2023/24 financial recovery plan. This outlined in-year saving requirements of £1.280 million and the utilisation of £2.779 million reserves which will reduce the uncommitted reserves to £3.308 million.</p> <p>There is a risk that East Ayrshire Integration Joint Board will be unable to achieve a sustainable outturn position going forwards, particularly given the financial pressures continuing to be faced and the reduced reserve position.</p>	<ul style="list-style-type: none"> Regular monitoring and reporting to the IJB Board on the financial position. 	<ul style="list-style-type: none"> Review financial monitoring reports to assess the financial position, including progress in realising efficiency savings by each partner. Review updates to financial plans to assess the short and medium-term financial sustainability of the Joint Board.

Source: Audit Scotland

26. 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.

Duty of Best Value

27. 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

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

29. 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.

30. We will provide an independent auditor's report to the IJB 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.

31. [Exhibit 4](#) outlines the target dates for our audit outputs.

Exhibit 4

2023/24 Audit outputs

Audit Output	Target date	Audit and Performance Committee Date
Annual Audit Plan	31 March 2024	5 March 2024
Independent Auditor's Report	30 September 2024	1 October 2024
Annual Audit Report	30 September 2024	1 October 2024



Source: Audit Scotland

Audit timetable

32. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

Exhibit 5

Proposed Annual Accounts Timetable

 Key stage	 Provisional Date
Consideration of the unaudited Annual Accounts by those charged with governance	26 June 2024
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	By 30 June 2024
Latest date for final clearance meeting with the Chief Financial Officer, agreement of the audited and unsigned Annual Accounts and the proposed Annual Audit Report.	4 September 2024
Issue of proposed Annual Audit Report, letter of management representation and proposed independent auditor's report to those charged with governance.	10 September 2024
Presentation of proposed Annual Audit Report to those charged with governance.	1 October 2024
Approval of the IJB's Annual Accounts by those charged with governance, independent auditor's report signed electronically following this approval and the final Annual Audit Report issued.	1 October 2024

Source: Audit Scotland

Audit fee

33. In setting the fee for 2023/24 we have assumed that the Integration 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. The audit fee for 2023/24 is £33,360 (£31,470 in 2022/23).

Other matters

Internal audit

34. 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.

35. While we are not planning to place formal reliance on the work of internal audit in 2023/24, 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

36. 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.

37. 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.

38. The appointed auditor for the IJB is Fiona Mitchell Knight, 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 IJB.

Audit Quality

39. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

40. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits and ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews.

41. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent

quality reviews. Progress with implementing improvement actions is regularly monitored by Audit Scotland's Quality and Ethics Committee

42. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

The Audit Team

43. Key contacts in the audit team are:

- Fiona Mitchell-Knight FCA, Audit Director
- Louisa Yule CPFA, Senior Audit Manager
- Cara McNaught, Graduate Trainee Auditor

East Ayrshire Integration Joint Board

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk

www.audit-scotland.gov.uk