

Glasgow City Integration Joint Board

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

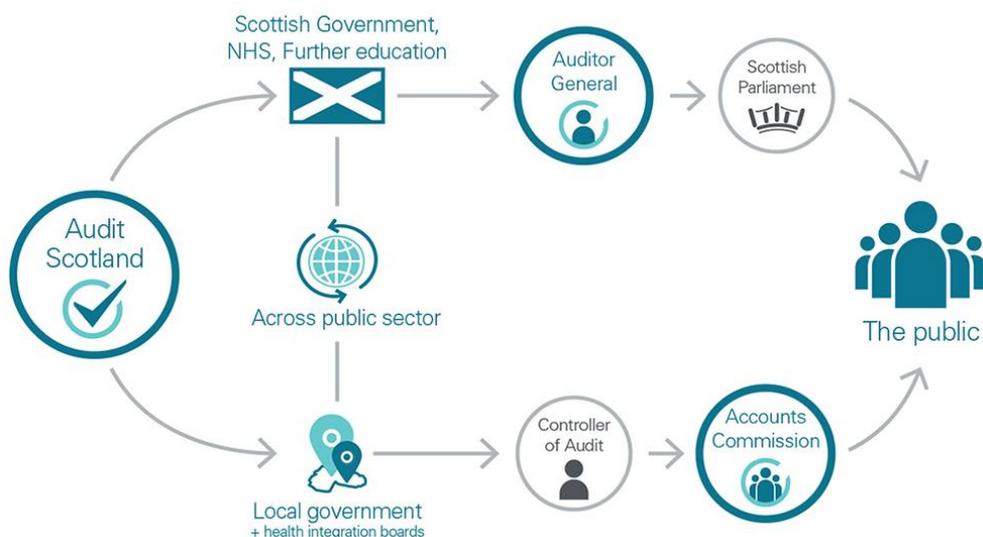
Prepared for Glasgow City Integration Joint Board

March 2017

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. 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

2. 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 Glasgow City Integration Joint Board (the IJB). 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

Audit Risk	Management 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 Preparation of financial statements</p> <p>Operational financial statements are required for the first time in 2016/17, and are more complex than in the prior year.</p> <p>There is a risk that the procedures for agreeing the year end balances are not fully embedded; and that this may not be agreed in time to enable NHS Greater Glasgow and Clyde to meet its deadline for approving</p>	<p>HSCP staff responsible for the production of the IJB's annual accounts have received year-end timetables from both NHS Greater Glasgow & Clyde and Glasgow City Council to which they will work. The source of the financial information for the IJB annual accounts is the same as that of the partner organisations and this should facilitate agreement of year-end balances. In the production of the IJB's annual</p>	<p>Continued communication with officers prior to the accounts being prepared to help ensure the relevant information is disclosed and timetable met.</p> <p>Review of compliance with accounting standards and legislation as part of the financial statements audit.</p> <p>Review of governance statement against the Code requirements.</p> <p>Obtain assurances from the</p>

Audit Risk	Management assurance	Planned audit work
<p>and reporting its accounts in June 2017. There is also a risk that the annual accounts are not in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the UK (the "Code").</p>	<p>accounts, we shall adhere to IRAG and LASAAC Guidance and also with the provisions of the Code.</p>	<p>auditors of partner bodies over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</p>
<p>3 Governance statement and management assurances</p> <p>The preparation of the financial statements of the IJB relies on the provision of financial and non-financial information from the systems of both NHS Greater Glasgow and Clyde and Glasgow City Council.</p> <p>The Chief Officer (Finance and Resources) of the IJB must obtain sufficient assurance that the costs transferred to the accounts of the IJB are complete and accurate and were incurred on behalf of the IJB for services prescribed in the integration scheme.</p> <p>There is a risk that the Chief Officer (Finance and Resources) does not have adequate assurance that information received from the partners is complete and accurate.</p>	<p>The systems of the partner organisations are subject to an internal audit process and assurances will be obtained from these internal audit functions on the reliance which the IJB can place on these systems.</p> <p>In addition, assurance can be taken from the regular budget monitoring undertaken by the HSCP budgetholders and the regular reporting on budget performance by the Chief Officer, Finance and Resources to the IJB in explanation of variances from budget.</p>	<p>Obtain assurances from the external auditors of NHS Greater Glasgow and Clyde and Glasgow City Council over the accuracy, completeness and occurrence of the IJB ledger entries and that they have been allocated appropriately.</p> <p>Confirm that financial reporting throughout the year is accurately reflected in the year end position.</p> <p>Consider whether appropriate action is taken on issues raised in internal audit reports.</p> <p>Assess whether the governance statement adequately reflects the position of the IJB.</p>
<p>Wider dimension risks</p>		
<p>4 Budget Setting and Financial Sustainability</p> <p>The 2016/17 IJB budget, excluding the amount set aside for acute services, was not agreed by the Board until September 2016. The 2016/17 set aside budget has still to be finalised.</p> <p>The latest financial allocations and plans for 2017/18 submitted to the Board highlight required savings of £24.8 million and identify a funding gap of £2.7 million.</p> <p>The 2017/18 IJB budget has not yet been finalised as the health board allocation has still to be agreed.</p> <p>There is a risk that delays in agreeing the 2017/18 budget, including the savings proposals necessary to deliver this, may</p>	<p>Robust financial planning and management has continued based upon the budget allocation letters to the NHS Board and Glasgow City Council from the Scottish Government on 15 December 2016.</p> <p>At its meeting on 15 March 2017, the IJB accepted the 2017/18 delegated budget from Glasgow City Council and the related savings programme but agreed to the CFO's recommendation not to accept the 2017/18 delegated Health Budget. The IJB did, however, agree the Health-related savings programme, together with the CFO's recommendation that the shortfall identified will be covered by contingency and reserves until 1st October</p>	<p>Review of the IJB's progress in agreeing a budget and savings proposals for 2017/18.</p> <p>Review of the effectiveness of the IJB's financial plans.</p>

Audit Risk	Management assurance	Planned audit work
impact on the financial management of the IJB and service delivery.	2017. Further savings options will require to be brought back to the IJB meeting in June 2017 to meet the shortfall from October 2017. Not accepting the delegated Health budget does not compromise access to funds or the operations of the IJB.	

Reporting arrangements

3. 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.

4. 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.

5. We will provide an independent auditor's report to the IJB and the Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Accountable Officer and the 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

2016/17 Audit outputs

Audit Output	Target date	Finance and Audit Committee/Board Date
Annual Audit Report including ISA 260 requirements	30 September 2017	Finance and Audit Committee 6 September 2017 Integration Joint Board 20 September 2017
Signed Independent Auditor's Report	30 September 2017	Finance and Audit Committee 6 September 2017 Integration Joint Board 20 September 2017

Audit fee

6. The agreed audit fee for the 2016/17 audit of Glasgow City Integration Joint Board is £17,400. 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 30 June 2017.

7. 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

Finance and Audit Committee and Chief Officer (Finance and Resources)

8. 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.

9. The audit of the financial statements does not relieve management or the Glasgow City Integration Joint Board and the Finance and Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

10. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

11. Auditors in the public sector give an independent opinion on 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

12. 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.

13. 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 Glasgow City Integration Joint Board as at 31 March 2017 and of the income and expenditure of the Glasgow City Integration Joint Board for the year then ended
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and The Local Government in Scotland Act 2003.

Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Glasgow City Integration Joint Board 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 2017 based on the gross expenditure budget for 2016/17 as reported to the Board in September 2016.	£11.143 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 70% of planning materiality.	£7.989 million
Reporting threshold - 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, capped at £100,000.	£ 0.1 million

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

Timetable

16. 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 Integration Joint Board and Finance and Audit Committee dates.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Provision of information for preparation of NHS Greater Glasgow and Clyde's financial statements	28 April 2017
Consideration of unaudited financial statements by those charged with governance	7 June 2017
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Chief Officer: Finance and Resources	August 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2017
Independent auditor's report signed	By 30 September 2017

Internal audit

17. 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. The internal audit function of the IJB is provided by the internal auditors of Glasgow City Council, overseen by a Chief Internal Auditor.

Adequacy of Internal Audit

18. Our review of the internal audit service concluded that it has sound documentation standards and reporting procedures in place and it complies with the main requirements of the Public Sector Internal Audit Standards.

Areas of reliance

19. In respect of our wider dimension audit responsibilities we plan to consider the work of internal audit, including:

- Review of IJB financial management arrangements
- Review of compliance with IJB governance arrangements
- Review of the monitoring and reporting of progress against performance targets.

Audit dimensions

20. 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



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

Financial sustainability

22. 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

23. 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 the 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

24. 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
- whether Board and Finance and Audit Committee members and staff demonstrate high standards of behaviour and receive sufficient training and development
- the quality and timeliness of financial and performance reporting.

Value for money

25. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the IJB can provide evidence that it is demonstrating value for money in the use of its resources and the achievement of its outcomes.

Strategic plan for the five year appointment

26. As part of our responsibility to report on the four audit dimensions over the five year audit appointment, we have identified the following areas of proposed audit work (subject to annual review):

Exhibit 6

Five year strategic plan

Dimension	2016/17	2017/18	2018/19 to 2020/21
Financial sustainability	Financial planning		
Financial management	Financial governance and resource management		
Governance and transparency	Role of Boards follow up	Leadership, governance and scrutiny	
Value for money			Operational efficiency

Independence and objectivity

27. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. 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 Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

28. The engagement lead for Glasgow City Integration Joint Board is David McConnell, 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 Glasgow City Integration Joint Board.

Quality control

29. 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.

30. 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 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.

31. 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.

Glasgow City Integration Joint Board

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