

Angus Integration Joint Board

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

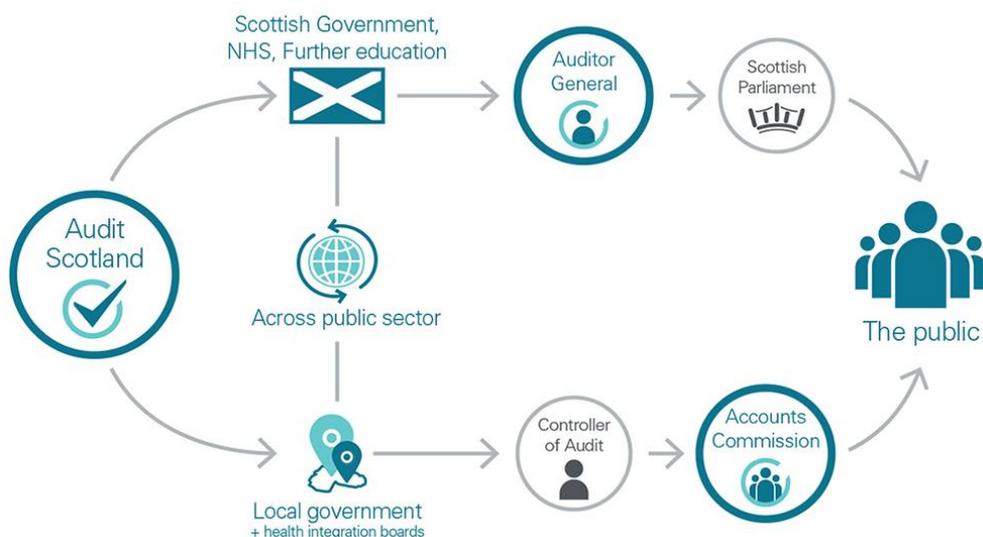
Prepared for Angus Integration Joint Board

December 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.
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 Angus Integration Joint Board (Angus 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

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 accounting entries.</p> <p>Service auditor assurances will be obtained from the audits of Angus Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.</p>
<p>2 Risk of fraud over expenditure</p> <p>The expenditure of the IJB is processed through the financial systems of Angus Council and NHS Tayside. There is a risk that non IJB related expenditure is incorrectly coded to the IJB account codes.</p>	<p>Robust budget monitoring.</p> <p>Assurances to be provided to the IJB by Angus Council and NHS Tayside on the completeness and accuracy of transaction coded to IJB account codes.</p>	<p>Obtain assurances from the auditors of Angus Council and NHS Tayside over the accuracy and 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 recorded in the correct financial</p>

Audit Risk	Source of assurance	Planned audit work
<p>3 Financial Statements Preparation</p> <p>Preparation of the IJB financial statements relies on the provision of financial and non-financial information from the systems of the two partner bodies. The Chief Finance Officer of the IJB must obtain assurance that the costs transferred to the accounts of the IJB are complete and accurate and incurred on behalf of the IJB for services prescribed in the integration scheme. There is a risk that the Chief Finance Officer does not obtain adequate assurance that information received from each party is accurate and complete.</p>	<p>Strong working relationships with Angus Council and NHS Tayside</p> <p>The integration scheme specifies the financial reporting responsibilities of both Angus Council and NHS Tayside</p> <p>Monthly monitoring of financial information</p> <p>Assurances provided through internal audit arrangements including the follow up of the Internal audit recommendations made on financial management within Angus Council.</p> <p>Update on the latest position with regard to the large hospital set aside.</p>	<p>year.</p> <p>Review of the governance statement to ensure it adequately reflects the position of the IJB and compliance with the Code</p> <p>Confirm appropriate action is taken on issues raised in internal audit reports</p> <p>Confirm that financial reporting throughout the year is accurately reflected in the year end position</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year</p> <p>Obtain formal assurances from the auditors of Angus Council and NHS Tayside.</p>
<p>4 Financial Performance</p> <p>The latest financial monitoring report from October 2017 reported a projected outturn of £166.4m against a delegated budget of £163.8m, an overspend of £2.6m. The majority of the overspend relates to costs associated with prescribing.</p>	<p>Finance Monitoring reports provided to IJB Board.</p> <p>Assurances provided through internal audit arrangements which will include a detailed follow up of the Financial support from Angus Council report.</p> <p>As the forecast overspend relates to services delivered by NHS Tayside, the integration scheme allows for this overspend to be met by additional one off funding from NHS Tayside. From 2018/19 any overspends will be required to be split between NHS Tayside and Angus Council.</p>	<p>Confirmation of agreement of funding and balances with host bodies.</p> <p>Ensure budget monitoring is robust and accurately reflects the financial position.</p>
Wider dimension risks		
<p>5 Financial sustainability</p> <p>NHS Tayside and Angus Council face significant financial pressures from funding reductions and increasing demand.</p> <p>There is a risk that the IJB in partnership with NHS Tayside and Angus Council may not be able to identify sustainable</p>	<p>Budget Settlement and Budget Update papers provided to IJB Board.</p>	<p>Review progress made on meeting savings targets and dealing with cost pressures.</p> <p>Reviewing the long term financial plan and the assumptions made to ensure that they are reasonable.</p> <p>Review how the IJB will deal with overspends once the two year cost sharing period as</p>

Audit Risk	Source of assurance	Planned audit work
<p>savings measures or meet cost pressures as they arise.</p> <p>A key element of this is the production of a long term (3-5 year) financial plan to ensure members of the board are aware of the cost pressures facing the IJB.</p>		<p>defined in the integration scheme ends.</p>
<p>6 Governance: Finance Support Services</p> <p>Finance support services are provided to the IJB by both Angus Council and NHS Tayside</p> <p>The level and quality of the support has been highlighted as being essential to support reporting and decision making within the IJB.</p> <p>The IJB have highlighted the provision of financial support as being a key risk to the delivery of the IJB objectives.</p>	<p>The Chief Finance Officer continues to work with both Angus Council and NHS Tayside to ensure required support is in place.</p> <p>Internal Audit follow-up of its 2016/17 Financial Management report, which highlighted a number of areas that require to be improved in the Angus Council finance support provided to the IJB.</p>	<p>Monitor the IJB's management of this risk and the development of IJB financial reporting.</p> <p>Review Internal Audit's follow up findings on the Financial Management 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 Angus Integration Joint Board and the Accounts Commission setting out our opinions on 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

2017/18 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Report	30 September 2018	29 August 2018
Signed Independent Auditor's Report	30 September 2018	29 August 2018

Audit fee

7. In line with the audit fees being set for all IJBs the proposed audit fee for the 2017/18 audit of Angus Integration Joint Board is £24,000 (2016/17 £17,470). In determining the audit fee we have taken account of the risk exposure of Angus Integration Joint Board, 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 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 Finance 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 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 Angus Integration Joint Board and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Angus Integration Joint Board 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 its 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 Angus Integration Joint Board are set out in [Exhibit 3](#).

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 finance report to the Board in October 2017.	£1.639 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 75% of planning materiality.	£1.229 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 (rounded).	£16,000

17. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issue identified will be reported to the 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
Agreement of year end balances with NHS Tayside	By 31 May 2018
Consideration of unaudited financial statements by those charged with governance	27 June 2018
Latest submission date of unaudited annual accounts with complete working papers package	30 June 2018
Latest date for final clearance meeting with Chief Finance Officer	8 August 2018
Issue of letter of representation and proposed independent auditor's report	17 August 2018

Agreement of audited unsigned annual accounts	17 August 2018
Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 Sep 2018
Independent auditor's report signed	By 30 Sep 2018

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 Fife, Tayside and Forth Valley Audit and Management Services (FTF), overseen by the Chief Internal Auditor, and supported by Angus Council's internal audit section.

Adequacy of Internal Audit

20. Our annual assessment of internal audit is based on a standard review programme informed by the Public Sector Internal Audit Standards (PSIAS), review of a range of work carried out by the service and discussions with the Internal Audit Regional Audit Manager.

21. We have concluded that the FTF operate in accordance with PSIAS and has sound documentation standards and reporting procedures in place.

22. However, we note that FTF is yet to meet one of the requirements of PSIAS, which requires internal audit to have an external review of PSIAS compliance at least once every five years (PSIAS 1312).

23. In respect of our wider dimension audit responsibilities we plan to consider areas of internal audit work including: Risk Management; Clinical, Care and Professional Governance; Capacity and Financial Management follow up.

Audit dimensions

24. 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

25. The appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

26. 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
- whether the IJB can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

27. 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

28. 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 (including services delivered by, or in partnership with, others).
- 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

29. 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.
- the IJB can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- the IJB can demonstrate that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

Independence and objectivity

30. 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.

31. The engagement lead for Angus Integration Joint Board is Gillian Woolman, Assistant Director. Auditing and ethical standards require the appointed auditor Gillian Woolman 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 Angus Integration Joint Board.

Quality control

32. 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.

33. 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.

34. 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

35. Through our audit work we aim to add value to Angus Integration Joint Board. 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.

36. The Auditor General and Accounts Commission will publish a second report on health and social care integration in the autumn of 2018. These reports use information from the audited accounts and annual audit reports but will also require local audit teams to provide some additional information.

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk