

East Dunbartonshire Integration Joint Board

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for East Dunbartonshire Integration Joint Board

February 2019

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 sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Adding value

3. We aim to add value to the East Dunbartonshire Integration Joint Board (hereby referred to as the IJB) 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, we intend to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

4. 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 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements 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 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>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.
<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. The expenditure of the IJB is</p>	<p>Robust budget monitoring.</p>	<ul style="list-style-type: none"> • Obtain assurances from the auditors of EDC and NHSGG&C over the accuracy, completeness

	Audit Risk	Source of assurance	Planned audit work
	<p>processed through the financial systems of East Dunbartonshire Council (EDC) and NHS Greater Glasgow & Clyde (NHSGG&C). There is a risk that non IJB related expenditure is incorrectly posted to IJB account codes.</p>		<p>and allocation of the IJB ledger entries.</p> <ul style="list-style-type: none"> • Audit testing to confirm that IJB transactions are accurate, correctly allocated and recorded in the correct financial year.
3	<p>Hospital acute services (Set Aside)</p> <p>The “set aside” budget is the IJB’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 2017/18. The figure was based on 2015/16 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 IJB is misstated in 2018/19 due to the lack of current activity information.</p> <p>There is also a risk that the sum set aside recorded in the annual accounts will not reflect actual hospital use in the 2018/19 accounts.</p>	<p>NHSGG&C Chief Finance Officer Group is developing arrangements for set aside. Budget figures and baseline data have been agreed and mechanism to be finalised.</p>	<ul style="list-style-type: none"> • Engage with officers to ensure that a robust mechanism has been developed to quantify set aside income and expenditure • Monitor Scottish Government guidance on the treatment of set aside in the 2018/19 financial statements to establish whether the financial statements are compliant.
4	<p>Financial sustainability and going concern</p> <p>Based on the current 2018/19 budget monitoring report (for the period to 30 November 2018) there is a projected overspend of £3.425 million. The budget includes the planned use of £2.114 million of earmarked reserves and any additional unplanned overspend will be financed by the General Reserve. This is mainly due to overspends in Adult Learning Disability services, Older People Community services and Children’s services.</p> <p>The projected year end reserves balance is expected to be £0.662 million, which is in breach of the IJB’s reserves policy. The reserves policy suggests that a prudent reserves level is 2% of net expenditure which would equate to approximately £3 million.</p>	<p>Ongoing monitoring of expenditure against budget.</p> <p>Robust financial plan for 2019/20 which delivers financial balance and opportunities for sustainability moving forward.</p> <p>Longer term financial plan in development.</p>	<ul style="list-style-type: none"> • Ensure budget monitoring is robust and accurately reflects the financial position. • Confirmation of agreement of funding and balances with host bodies. • Review of the IJBs recovery plan agreed with EDC and NHSGG&C. • Review and report on progress against our 2017/18 audit recommendation in relation to this risk. • Review the IJBs evidence to support the going concern assumption for the 2018/19 accounts.

	Audit Risk	Source of assurance	Planned audit work
	<p>In addition, there are no 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 is not financially sustainable. As a result the IJB needs to demonstrate that the going concern basis is appropriate for the 2018/19 accounts.</p>		
Wider dimension issues and risks			
5	<p>Achievement of efficiency savings</p> <p>The financial planning update presented to the January 2019 meeting of the Board reported that the estimated funding gap for 2019/20 is £3.5 million. Of this total, £2.1 million of the required savings have so far been identified as part of the IJB's transformation activity.</p> <p>There is a risk that the IJB may not be able to generate sufficient efficiencies and cost savings to bridge the remaining funding gap of £1.4 million.</p>	<p>Robust financial plan and transformation agenda which ensures efficiency savings are delivered and IJB achieves financial balance.</p>	<ul style="list-style-type: none"> • Ongoing review of budget monitoring reports including details of identified savings.
6	<p>EU Withdrawal</p> <p>There are considerable uncertainties surrounding the implications of EU withdrawal and public bodies should assess the potential impact on their operations and identify specific issues and planned responses.</p> <p>There is a risk that the IJB is not prepared for the impact of EU withdrawal on the delivery of services.</p>	<p>The IJB is part of both NHSGG&C and EDC EU withdrawal planning arrangements. Key risks have been identified for the IJB with mitigating actions identified.</p>	<ul style="list-style-type: none"> • Assess how the IJB has prepared for EU withdrawal, including the specific work on workforce impact and dependency on key suppliers. • Consider how the IJB responds to any emerging issues after March 2019.
7	<p>Quality assurance review</p> <p>The quality of the unaudited 2017/18 annual accounts submitted for audit was not acceptable. As a result, the audit team were required to carry out additional audit work to support the IJB in securing an unqualified audit opinion.</p> <p>There is a risk that the quality of the unaudited 2018/19 annual accounts submitted for audit will be not be acceptable and a qualified audit opinion is reached, or additional audit work is required.</p>	<p>Review of good practice guide underway, shared learning across other IJB areas.</p> <p>Planning for 2018/19 annual accounts in progress.</p>	<ul style="list-style-type: none"> • Ongoing discussions with the Chief Finance and Resources Officer regarding the application of good practice notes and other relevant guidance • Audit of the 2018/19 annual accounts.

	Audit Risk	Source of assurance	Planned audit work
8	<p>Internal Audit</p> <p>The internal auditors of NHSGG&C do not permit full copies of individual internal audit reports to be presented to the Performance, Audit and Risk Committee for member scrutiny, although full copies of these reports are made available to the IJB Chief Internal Auditor and Chief Finance and Resources Officer on request.</p> <p>There is a risk that Performance, Audit and Risk Committee members may be unable to properly discharge their responsibilities.</p>	<p>Draft protocol for sharing information on high risk areas affecting IJB's agreed. Summary information to be provided to IJB with Chief Internal Auditor access to more detailed progress reports to provide assurance to the IJB on appropriate actions being taken to manage risks.</p>	<ul style="list-style-type: none"> Review NHSGG&C internal audit arrangements to ensure that all internal audit reports affecting the IJB are appropriately presented to the IJB's Performance, Audit and Risk Committee.
9	<p>Corporate Risk Register</p> <p>The corporate risk register has not been presented to members since November 2017. The register should be updated and presented to the Performance, Audit and Risk Committee on a regular basis to ensure that members are able to properly discharge their responsibilities.</p>	<p>Corporate risk register reviewed and updated and presented to Performance, Audit and Risk Committee for approval.</p>	<ul style="list-style-type: none"> Review updated corporate risk register when available for risks that may impact upon our 2018/19 audit approach.
10	<p>2017/18 Annual Audit Report</p> <p>Our 2017/18 Annual Audit Report identified twelve audit issues with associated recommendations for the IJB to address. In October 2018 we agreed a detailed action plan to address our recommendations in a meeting with the Chief Officer and Chief Finance and Resources Officer.</p> <p>There is a risk that the IJB is unable to action our audit recommendations in line with the timescales set out in the agreed action plan produced by the Chief Officer and Chief Finance and Resources Officer.</p>	<p>Progress report on 2017/18 Annual Audit Report action plan will be presented to the Performance, Audit and Risk Committee in March 2019.</p>	<ul style="list-style-type: none"> Obtain an update on progress of action plan to address our 2017/18 Annual Audit Report recommendations from the Chief Finance and Resources Officer throughout the year. Report on the IJB's progress in addressing our prior year recommendations in our 2018/19 Annual Audit Report. Review action plan updates provided to Performance, Audit & Risk Committee on the 2017/18 Annual Audit Report recommendations.
11	<p>Best Value</p> <p>The IJB should have arrangements in place to demonstrate that it is delivering Best Value in the provision of services.</p> <p>There is a risk that opportunities for continuous improvement are missed.</p>	<p>IJB assessment against Scottish Government Best Value framework undertaken.</p>	<ul style="list-style-type: none"> Review Best Value updates provided to the Performance, Audit and Risk committee. Review the IJB's response to the November 2018 National Report, 'Health and social care integration: update on progress'

Reporting arrangements

5. 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.

6. 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.

7. 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 during the audit.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	29 March 2019	1 March 2019
Annual Audit Report	30 September 2019	TBC
Independent Auditor's Report	30 September 2019	TBC

Source: Audit Scotland

Audit fee

8. The agreed audit fee for the 2018/19 audit of East Dunbartonshire Integration Joint Board is £28,440 (2017/18: £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. As noted in Exhibit 1, we reported a number of issues with the quality of the 2017/18 unaudited annual accounts presented for audit. As a result of these issues, the audit team were required to carry out additional audit work that was not anticipated in our 2017/18 Annual Audit Plan and fee. As a result of these findings our audit plan for 2018/19 requires a level of input which is above the norm for an IJB audit. As a consequence, the fee for 2018/19 is higher than that charged in 2017/18.

9. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 3 June 2019. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts 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 out with our planned audit activity.

Responsibilities

Performance, Audit and Risk Committee and Chief Officer

10. 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.

11. The audit of the annual accounts does not relieve management or the Performance, Audit and Risk Committee as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

13. 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 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

Annual accounts

14. The annual accounts, which include the financial statements, will be the foundation and source for most 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.

15. We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of the IJB as at 31 March 2019 and of the income and expenditure of the IJB for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- 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.

Other information in the annual accounts

16. We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

17. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

18. 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 opinions in the independent auditor's report.

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



Exhibit 3

Materiality values

Materiality	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 2019 based on the latest budget for 2018/19.	£1.539 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.	£0.924 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. This has been calculated at 1% of planning materiality.	£15,000

Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4

Financial Statements Timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	TBC
Latest submission date of unaudited annual accounts complete working papers package	3 June 2019
Latest date for final clearance meeting with Chief Finance & Resources Officer	3 September 2019
Issue of Letter of Representation and proposed independent auditor's report	10 September 2019
Agreement of audited unsigned annual accounts	10 September 2019
Issue of Annual Audit Report to those charged with governance	TBC
Latest date for signing of Independent auditor's report	30 September 2019

Internal audit

21. 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. Internal audit is provided by a team from East Dunbartonshire Council and NHS Greater Glasgow & Clyde on a joint basis. As part of our planning process we carry out an assessment of the internal audit function.

Using the work of internal audit

22. 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 to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

Audit dimensions

23. 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

24. 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

25. 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

26. 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

27. 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

28. 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

29. 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 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 Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

30. The engagement lead (i.e. appointed auditor) for East Dunbartonshire Integration Joint Board 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 East Dunbartonshire Integration Joint Board.

Quality control

31. 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.

32. 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 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 and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

33. 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.

East Dunbartonshire Integration Joint Board

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