

East Renfrewshire Health and Social Care Partnership Integration Joint Board

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for by East Renfrewshire Health and Social Care Partnership Integration Joint Board

March 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.

Contents

Risks and planned work	4
Audit scope and timing	8

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 Renfrewshire Health and Social Care Partnership Integration 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, we intend to help the East Renfrewshire 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 the East Renfrewshire 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 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 income and expenditure</p> <p>Under ISA 240 (UK) there is a presumed risk that income may be misstated due to the improper recognition of income. The Financial</p>	<p>East Renfrewshire IJB receives its income by way of budget allocations from East Renfrewshire Council (ERC) and NHS Greater Glasgow and Clyde (NHSGGC). As this</p>	<ul style="list-style-type: none"> • We have rebutted the risks of fraud over income and expenditure, therefore no specific procedures are required as part of our planned audit work.

	Audit Risk	Source of assurance	Planned audit work
	Reporting Council's Practice Note 10 expands this to include the risk that material misstatements occur by the manipulation of expenditure recognition.	<p>limits the opportunity for manipulation we have rebutted the presumed risk of improper recognition of income.</p> <p>East Renfrewshire IJB's expenditure is processed through the financial systems of ERC and NHSGGC. Consequently, the risk of expenditure manipulation lies with the partner bodies.</p> <p>Assurances over the accuracy and completeness of IJB transactions will be obtained from the auditors of ERC and NHSGGC. Consequently we have rebutted the risk of improper recognition of expenditure within the IJB</p>	

Wider dimension issues and risks

3 Financial sustainability

2018/19 budget outturn

As at 30 January 2019, the IJB is facing a predicted year end overspend of £0.425m. This relates to Fit for the Future Savings of £0.398m which are still to be realised. The IJB intends to fund £0.398m of the overspend through a planned use of reserves and the remaining £0.027m operational overspend within existing resources. The IJB is prepared to draw from their in year contingency reserve if required.

There is a risk that if the IJB does not identify the savings to be achieved on a recurring basis, they will be unable to achieve a balanced budget going forward, particularly in the light of uncertain future funding contributions.

2019/20 onwards

The IJB is currently facing uncertainty and pressures in their 2019/20 budget allocation. Indicative figures have been provided from the NHS with estimated savings targets of £0.634 million. Savings targets of £3.097 million have been set up by East Renfrewshire Council. It is anticipated that the IJB will present

Budget update reports to the IJB provide a regular update on budget issues.

Revenue budget monitoring is a standing report on each IJB agenda providing an overview of the current financial year.

The annual report and accounts also provide the outturn per year and show the relationship with the revenue management account reporting.

Seminars and briefings are provided throughout the year as required.

- Review the IJB's reported outturn financial position as part of the financial statements audit;
- Assess the delivery of in-year savings programmes; and
- Review the robustness of future savings plans and targets contained within the Fit for the Future programme.

 Audit Risk	Source of assurance	Planned audit work
<p>plans to address the savings targets to the IJB in March 2019</p> <p>Due to the delays in approving the health budget, there is a risk that given the financial pressures faced by the IJB in 2019/20, any delay will significantly impact the effectiveness of the IJB's financial management and the ability to strategically manage expenditure.</p>		
<p>4 Financial Planning</p> <p>The IJB does not have any published medium or longer term plans in place taking into account the impact of future costs and funding uncertainties on services and the extent of benefits realised from the ongoing Fit for the Future service redesigns. We are aware the IJB intends to present a medium term plan to the Board in March 2019.</p> <p>There is a risk that decisions on financial planning do not reflect a longer term assessment of future cost pressures and funding levels.</p>	<p>Whilst no formal strategy has been published to date the Strategic Commission Plan sets out funding scenarios to 2021</p> <p>Funding scenarios are also discussed at IJB seminars</p>	<ul style="list-style-type: none"> Review the progress the IJB has made in developing and implementing a medium and longer term financial strategy; and Assess whether assumptions within the medium and longer term financial plans are reasonable and consistent with the IJB's strategic plan objectives.

Source: Audit Scotland

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 officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the East Renfrewshire IJB East Renfrewshire Health and Social Care Partnership Integration Joint Board and the Accounts Commission setting out our opinions on the annual report and accounts. We will provide the Chief Financial 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	5 March 2019	20 March 2019
Annual Audit Report	18 September 2019	25 September 2019

Audit Output	Target date	Committee Date
Independent Auditor's Report	18 September 2019	25 September 2019

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2018/19 audit of the East Renfrewshire IJB is £25,000 [2017/18 £24,000]. In determining the audit fee we have taken account of the risk exposure of the East Renfrewshire 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 annual report and accounts with a complete working papers package on 28 June 2019.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and 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 and Audit Committee and Chief Financial 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 report and accounts does not relieve management or the Performance and Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 Act, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standards.

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

Audit scope and timing

Annual report and accounts

14. The annual report and 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 East Renfrewshire IJB 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 the East Renfrewshire 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 the financial statements as to:

- whether they give a true and fair view in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code) of the state of the affairs of the East Renfrewshire IJB as at 31 March 2019 and of its income and expenditure 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 2018/19 Code
- 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.

Other information in the annual report and accounts

16. We also review and report on other information published within the annual report and 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 report and accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.



characteristics



responsibilities



principal activities



risks



governance arrangements

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 assess materiality at different levels as described below. The materiality values for the East Renfrewshire IJB are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the figure we use in assessing the overall impact of audit adjustments on the financial statements. Using our professional judgement, and taking account of the risks relevant to the audit, we have set materiality at 1% of gross expenditure (rounded) for the year ended 31 March 2019 based on the latest audited accounts for 2017/18.	£1.500 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. We have calculated performance materiality at 70% of planning materiality (rounded).	£1.050 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 3% of planning materiality.	£0.045 million

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 Annual report and accounts timetable

 Key stage	 Date
Consideration of unaudited annual report and accounts by those charged with governance	26 June 2019
Latest submission date of unaudited annual report and accounts with complete working papers package	28 June 2019
Latest date for final clearance meeting with Chief Financial Officer	23 August 2019
Issue of Letter of Representation and proposed independent auditor's report	18 September 2019
Agreement of audited unsigned annual report and accounts	18 September 2019
Issue of Annual Audit Report including ISA 260 report to those charged with governance	25 September 2019



Independent auditor's report signed

25 September 2019

Internal audit

21. Internal audit is provided by East Renfrewshire Council and is overseen by the Chief Internal Auditor. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). We will report any significant findings to management on a timely basis.

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 use 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.

23. From our review of current internal audit plans we have not identified any areas where we plan to use their work.

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. 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

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 medium to longer term. We define this as medium

term (two to five years) and longer term (longer than five years). 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

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 East Renfrewshire IJB:

- has arrangements in place to ensure systems of internal control are operating effectively;
- can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance;
- has adequately assured itself that its financial capacity and skills are appropriate; and
- 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 governance arrangements in place are appropriate and operating effectively;
- the effectiveness of scrutiny, challenge and transparency in decision-making arising from finance and performance reports; and
- 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 East Renfrewshire IJB :

- can evidence it is delivering value for money in the use of its resources.
- can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- can demonstrate that outcomes are improving.
- is sufficiently focused 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 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.

31. The engagement lead for the East Renfrewshire IJB is John Cornett, 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 East Renfrewshire IJB.

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 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.

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.

East Renfrewshire Health and Social Care Partnership Integration Joint Board

Annual Audit Plan 2018/19

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



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