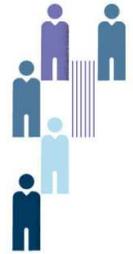


# Edinburgh Integration Joint Board

External Audit Plan  
2018/19

February 2019





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# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2018/19 external audit of the Edinburgh Integration Joint Board (“the IJB”).
2. The core elements of our work include:
  - an audit of the IJB’s 2018/19 annual accounts;
  - a review of the IJB’s arrangements for governance and transparency, financial management, financial sustainability and value for money and
  - any other work requested by Audit Scotland.

## Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission’s work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Scott-Moncrieff as external auditor of the IJB for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2018/19 and summarises:
  - the responsibilities of Scott-Moncrieff as the external auditor;
  - our audit strategy;
  - our planned audit work and how we will approach it;
  - our proposed audit outputs and timetable; and
  - background to Scott-Moncrieff and the audit team.

## Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council’s (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.

## Adding value through the audit

8. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the IJB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).
10. While this plan is addressed to the IJB, it will be published on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



# 2. Respective responsibilities of the auditor and the IJB

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## Respective responsibilities of the auditor and the IJB

### Auditor responsibilities

#### Code of Audit Practice

- The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

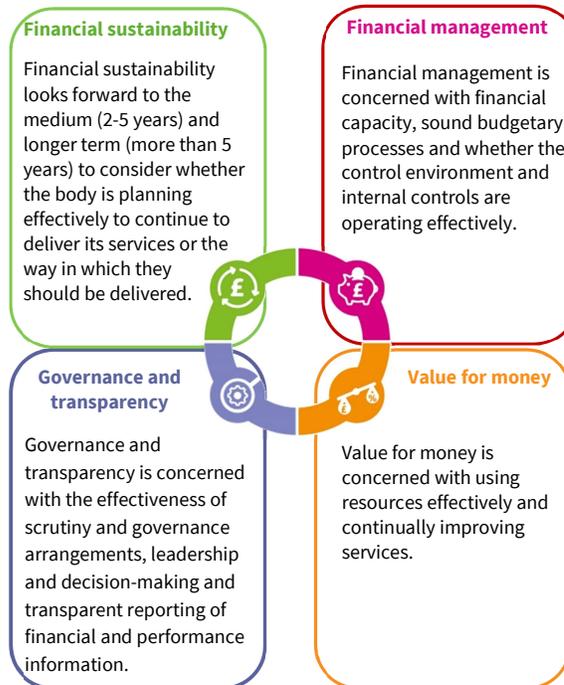
#### Our responsibilities

- Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 14). These are to:
  - undertake statutory duties, and comply with professional engagement and ethical standards
  - provide an opinion on audited bodies' financial statements
  - review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
  - notify the Controller of Audit when circumstances indicate that a statutory report may be required
  - demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
    - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
    - suitability and effectiveness of corporate governance arrangements
    - financial position and arrangements for securing financial sustainability
- Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

#### Wider scope audit work

- The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the

### Exhibit 1: Audit dimensions of wider scope public audit



private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

- The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
- Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
  - Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
  - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
- Our assessment takes into account the size, nature and risks of the organisation. Taking these factors into consideration, we have concluded that application of the full wider scope is appropriate at the IJB.



## Best Value

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18. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.
19. Our work in respect of the IJB's best value arrangements will be integrated into our audit approach, including our work on the wider scope audit dimensions as set out in section 5 of this plan.

## Strategic audit priorities for local government audits

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20. The Accounts Commission has set the following five strategic Audit Priorities that it expects auditors to consider in all work across local government:
  - Having clear priorities with a focus on outcomes, supported by effective long term planning.
  - Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.
  - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
  - Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
  - Reporting the organisation's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
21. Our consideration of these priorities will be integrated into our 2018/19 audit work. The extent to which we will report on these will be dependent on the findings of our work as it relates to the four dimensions referred to above and is considered in section 5 of this plan.

## IJB responsibilities

22. The IJB 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. The IJB's responsibilities are summarised in Exhibit 2.



## Exhibit 2 – IJB responsibilities

Area	IJB responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The IJB have responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures</li> <li>• maintaining proper accounting records</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements</li> </ul>
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The IJB are responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>



Area	IJB responsibilities
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is the IJB's responsibility for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The IJB are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>It is the IJB's responsibility for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Governance and transparency:</b> 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.</p>	<p>The IJB are responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The IJB are also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The IJB have a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>



# 3. Audit strategy

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# Audit strategy

## Risk-based audit approach

23. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers at IJB	Our understanding of the sector and its key priorities and risks	Attendance at the Audit and Risk Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other auditors	Discussions with internal audit and reviews of their plans and reports
Review of the IJB's corporate strategies and plans	Review of the IJB's corporate risk register	The outcomes of prior year audits

24. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

### Communications with those charged with governance

25. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the IJB that these communications will be through the Audit and Risk Committee.

### Professional standards and guidance

26. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

### Partnership working

27. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

### Audit Scotland

28. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.
29. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the IJB's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which the IJB uses the national performance reports as a means to help improve performance at the local level.
30. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.



## Internal audit

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31. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the IJB's total audit resource. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to the IJB is used efficiently and effectively.



# 4. Annual accounts

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## Annual accounts

### Introduction

32. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the IJB's annual accounts.

### Approach to audit of the annual accounts

33. Our opinion on the annual accounts will be based on:

#### Risk-based audit planning

34. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.

#### An audit of key systems and internal controls

35. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
36. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the IJB's own policies and procedures.
37. We will take cognisance of any relevant internal audit reviews of systems and controls.
38. We will update the risk assessment following our evaluation of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

#### A final audit of the annual accounts

39. During our final audit we will test and review the material amounts and disclosures in the annual accounts. The extent of testing will be based on our risk assessment.
40. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

### Independent auditor's report

41. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor's report which will be included in the annual accounts.
42. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

### Materiality

43. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We will review our assessment of materiality throughout our audit.
44. Our initial assessment of materiality for the IJB's annual accounts is £10million. Our assessment of materiality equates to approximately 1.6% of the IJB's forecast 2018/19 gross expenditure.
45. As noted above, our initial assessment of materiality is set with reference to gross expenditure. We consider this to be the principal consideration for the users of the accounts when assessing the performance of the IJB. We will review and update our assessment of materiality following receipt of the unaudited annual accounts.
46. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.
47. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.



	Area risk assessment		
	High	Medium	Low

	High	Medium	Low
Performance materiality	4.5	5.5	7.0

48. We will report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;
- Uncorrected misstatements with a value in excess of 2% of the overall materiality figure; and

- Other misstatements below the 2% threshold that we believe warrant reporting on qualitative grounds.

### Key audit risks in the financial statements

49. Auditing standards require that we inform the Audit and Risk Committee of our assessment of the risk of material misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit and Risk Committee if our assessment changes significantly during the audit.

## Exhibit 3 – Key audit risks in the financial statements

### 1. Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor’s responsibilities relating to fraud in an audit of financial statements*.

50. In response to this risk we will review the IJB’s accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business are valid and accounted for correctly. We will review the key accounting estimates, judgements and decisions made by management.

### 2. Revenue recognition

Under ISA (UK) 240- *The auditor’s responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the IJB could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

51. We have identified that for contributions received from the IJB’s funding partners, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate transactions of this nature



### 3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

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52. In response to this risk we will evaluate the significant expenditure streams at the IJB (excluding payroll which we do not consider to be a significant audit risk area) and review the controls in place over accounting for expenditure. We will consider the IJB’s key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.



# 5. Wider scope audit

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## Wider scope audit

### Introduction

53. As described in section 2, the Code frames a significant part of our audit responsibilities in terms of four wider scope audit dimensions. As part of our annual audit we consider and report against these four dimensions:

- financial sustainability
- financial management
- governance and transparency; and
- value for money.

54. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon our work in prior years to develop an

understanding of the IJB's key priorities and risks. In 2018/19, Audit Scotland has also identified the following wider scope risks, which we will consider during our audit as they relate to the IJB:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency.

55. At this stage of our audit planning, we have identified four significant risks to the wider scope of our audit in relation to all four dimensions (Exhibit 4).

## Exhibit 4 – Wider Scope Significant Risks

### 1. Financial sustainability

The IJB has been able to demonstrate arrangements for short term financial planning and developed a high level financial outlook which sets out the scale of the challenge. However, the IJB has not yet developed a medium or long-term financial plan or strategy. The IJB recognises that it faces significant challenges over the medium term due to increasing demand for services and a climate of constrained financial resources.

The indicative financial settlement for 2019/20 would require the IJB to identify a saving of £29.1 million across all delegated services. High level financial projections predict a gap of £116 million by 2022-23. There is an urgent need to work with partners to develop a strategic approach to financial planning. Without a medium term financial plan in place, the IJB cannot demonstrate how it will deliver the required level of savings and key priorities within the financial resources available

56. During our audit we will consider whether the IJB has developed adequate arrangements that allow it to demonstrate the financial sustainability of the services it directs. Our conclusion will be based on a review of the IJB's financial performance, underlying financial position, financial plans, financial reporting and achievement of savings targets.



## 2. Financial management: Projected in year deficit

Delegated services reported an overspend of £7.7 million for the first 9 months of 2018/19, which was projected to rise to £10 million by the end of the financial year. At the planning stage, on-going actions were being progressed to reduce the predicted in-year deficit to achieve a year-end balanced position.

There is a risk that the IJB will not achieve the planned balanced outturn position which could have a detrimental impact on short and medium term plans for the delivery of directed services. There is also the potential for underperformance to have a wider impact on, longer term financial sustainability.

57. During our audit we will consider the approach the IJB has taken to financial reporting as well as actions identified and carried out to respond to financial challenges that have occurred during the year. We will consider the partnership approach taken to financial management and reporting across the IJB, the City of Edinburgh Council and NHS Lothian.

## 3. Governance and transparency: Recovery plan

During 2017/18 the interim management team for the Edinburgh Health and Social Care Partnership (the group overseeing operational delivery of the IJB's directions to its partners) considered that there was a clear requirement to bring greater clarity and focus to the activities of the partnership, with an emphasis on performance, quality and finance. At its development session on 13 October 2017 the IJB considered a 'Statement of Intent' setting out:

*"a high-level recovery plan to address the immediate, short and medium-term challenges faced by the Partnership, the EIJB and the parent bodies. It is constructed around the three key pillars of quality, performance and finance."*

The recovery plan outlined the following seven high-level themes as well as related commitments:

- Doing the basics well
- Developing a performance framework
- Establishing a financial framework
- Developing strategies, with identifiable, manageable actions
- Ensuring optimum quality
- Clarifying and simplifying governance arrangements
- Improving relationships between the IJB and its partner

As reported in our 2017/18 Annual Audit Report, key steps for delivery have been outlined but progress against the Statement of Intent has not been formally considered by the Board. As a result, we considered it too early to conclude on progress against the recovery plan and will continue to recognise this as a significant risk in 2018/19.

The IJB has recognised that without a clear roadmap to work with, it cannot bring clarity to the partnership's activities, nor can the partnership support the IJB in effectively discharging its duties. This in turn would lead to suboptimal performance and quality, and financial imbalance

58. During our audit we will consider the IJB's involvement in the development of the recovery plan as well as considering performance to date against the seven key themes and related commitments within the recovery plan. More generally, in our role as appointed auditors to the IJB, City of Edinburgh Council and NHS Lothian, we will continue to consider the adequacy of governance arrangements in place across the partnership.

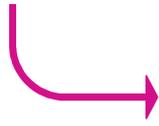


#### 4. Value for money: Performance

Under the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. One of the key strands outlined in the IJB's Statement of Intent is the development of a performance management framework.

As reported in our 2017/18 Annual Audit Report, the IJB has developed metrics that will be reported to every meeting of the Board. However, further work is still required to fully develop the performance management framework. In May 2018, the Board agreed to suspend the work of the Performance and Quality Sub-Group with the understanding that an external review of governance arrangements would be completed in 2018. As reported to the IJB in December 2018, the review concluded that responsibility for performance management was unclear and that governance arrangements required further development.

Without a clear, effective performance management framework in place there is a risk that the IJB cannot demonstrate continual improvement of services delivered and the achievement of value for money through appropriate use of resources.

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59. During our audit we will review performance monitoring arrangements in place to ensure these are appropriate, effective and in line with best practice. We will consider how the IJB plans to monitor the impact it has on outcomes and whether it can demonstrate that there is sufficient focus on improvement.
  60. Audit planning is a continuous process and we will report any identified significant risks, as they relate to the four dimensions, in our annual audit report.



# 6. Audit outputs, timetables and fees

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## Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the IJB.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2018/19.	March 2019
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	September 2019
Annual Report to the IJB and the Controller of Audit	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2019

### Audit outputs

- Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
- The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

Code of Audit Practice, including the related significant risks reported in this plan.

- The audit fee for the current and prior year are set out in the tables below:

	2018/19	2017/18
Auditor remuneration	£19,300	£18,500
Pooled costs	£1,670	£1,460
Performance audit and best value	£5,050	£5,020
Audit support costs	£1,080	£1,050
<b>Total expected fee</b>	<b>£27,100</b>	<b>£26,030</b>

### Audit fee

- Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
- As auditors we negotiate a fee with the audited body during the planning process. The auditor remuneration element of the fee may be varied by up to 20% above the expected fee level where the expected fee is below £26,000 to reflect the circumstances and local risks within the body.
- The expected fee set by Audit Scotland for the 2018/19 audit of the IJB is £25,000. We propose setting the 2018/19 audit fee at £27,100, which represents an uplift of 8.4% on the expected fee (12% on the auditor remuneration element). This reflects the relative scale of the Edinburgh IJB and the significant audit work required to conduct a full wider scope audit under the

- We will take account of the risk exposure of the IJB and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.
- We will take account of the risk exposure of the IJB and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an



additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

## Audit timetable

A summary timetable, including audit outputs, is set out as follows:

<b>FEB 19</b>	●	Planning meeting to inform the 2018/19 audit
<b>MAR 19</b>	●	Presentation of External Audit Plan to the Audit and Risk Committee
<b>JUN 19</b>	●	Accounts presented for audit and final audit visit begins
<b>SEPT 19</b>	●	Annual audit report presented to Audit and Risk Committee and submitted to the Controller of Audit



# 7. Appendices

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## Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 16 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network. We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

### Your audit management team



#### Nick Bennett

##### Audit Partner

[nick.bennett@scott-moncrieff.com](mailto:nick.bennett@scott-moncrieff.com)

Nick has over 20 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards.

Nick's experience and expertise is acknowledged by both clients and by other professionals right across the public sector.

Nick will be your appointed Engagement Lead.



#### Nicola MacKenzie

##### Assistant Manager

[nicola.mackenzie@scott-moncrieff.com](mailto:nicola.mackenzie@scott-moncrieff.com)

Nicola joined Scott-Moncrieff in 2014 as a public sector audit trainee and has since achieved her CA qualification. She has experience across a range of sectors, delivering both external and internal audit to our public sector clients.

Nicola will be your appointed Audit Manager and work alongside Nick to deliver the audit engagement.



## Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff, the IJB, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



## Appendix 3: Statement of understanding

### Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of the IJB and Scott-Moncrieff.

### Annual report and accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant IJB staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

### Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the IJB's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the IJB during the course of the audit on matters having a material effect on the financial statements. This will take place by means of a letter of representation, which will require to be signed by the 95 officer.

### Internal audit

It is the responsibility of the IJB to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists. We will liaise with internal audit to ensure an efficient audit process.

### Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be

maintained and a summary to be made available to us after each year end.

### Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

### Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

### Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Nick Bennett. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

### Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

### Agreement of terms

We shall be grateful if the Audit and Risk Committee would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.

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