

NHS Fife

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for NHS Fife
December 2018

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 NHS Fife 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 NHS Fife 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 NHS Fife. 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.</p>	<ul style="list-style-type: none"> • Review of accounting estimates. • Focused testing of accruals and prepayments including holiday pay accrual and unspent funding allocations. • Evaluation of significant transactions that are outside the normal course of business. • Data analytics risk assessment of ledger transactions (including journals) and testing of these. • Testing of transactions after the year end.

 Audit Risk	Source of assurance	Planned audit work
<p>2 Risk of fraud over income and expenditure</p> <p>ISA240 includes an assumption of fraud over income. The vast majority of the board's income is from Scottish Government or other public sector bodies and this specific risk is rebutted.</p> <p>Audit Scotland's Code of Audit Practice extends the scope of ISA240 to specific fraud risks that are relevant to a public sector audit. These include taxation receipts, welfare benefits, grants and other claims made by individuals and organisations on the public purse.</p> <p>Significant expenditure items include payments for primary care services. For example, prescribing, where claims are made by practitioners after issuing medicines and medical items to the public. We therefore identify the risk of fraud over expenditure in NHS Fife.</p>	<ul style="list-style-type: none"> Internal controls over expenditure systems operate effectively. Effective budgetary control by management. Fraud reports are regularly monitored and information across Scotland is routinely shared. There are a range of measures in place to prevent and detect fraud, including: the Scheme of Delegation; Standing Financial Instructions; Standards of Business Conduct; Financial Operating Procedures; Anti-Fraud, Theft and Corruption Policy and the Whistleblowing Policy. The board has a formal partnership agreement with NHS Scotland Counter Fraud Services and an agreed protocol covering a programme of regular payment verification checks. 	<ul style="list-style-type: none"> Audit work on the National Fraud Initiative matches. Obtain assurances from the NHS Scotland Counter Fraud Service. Use of data analytics to identify high risk items and exceptions for substantive testing.
<p>3 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Valuations of all land and building assets are reassessed under a 5 year programme of professional valuations by the District Valuer and adjusted in intervening years to take account of movements in prices since the latest valuation. All legal claims notified to NHS Fife are processed by the Scottish NHS Central Legal Office (CLO) who decide upon the risk liability and likely outcome of each case. Settled claims are reimbursed by the scheme less a £25k "excess" fee. A contribution rate is agreed with the CLO for the cost of NHS Fife's 	<ul style="list-style-type: none"> Review of reports from the District Valuer to confirm asset valuations. Sample testing of indexation calculations. Sample testing of CNORIS claims and associated reimbursements. Verification of the CNORIS provision recognising the future liability from participating in the scheme with reference to the contribution rate provided by the CLO.

 Audit Risk	Source of assurance	Planned audit work
<p>4 Funding allocations</p> <p>Allocations from the Scottish Government for acute services should be accounted for as funding for the year and associated expenditure recognised only when a present obligation at 31 March arises from past events.</p> <p>We reported errors in accruing expenditure to match allocations in our 2017/18 annual audit report and have since clarified the flexibility that can be afforded to IJB funding. There is a risk that unspent allocations are incorrectly accounted for in the current year.</p>	<p>participation in CNORIS.</p> <ul style="list-style-type: none"> The Director of Finance has written to the Director of Health Finance to seek formal clarification on this matter and will escalate the matter through the Corporate Finance Network. 	<ul style="list-style-type: none"> Use of data analytics to identify high risk items and exceptions for substantive testing. Sample testing of accruals at the year end. Ongoing review of the financial performance section in the monthly Integrated Performance Report (IPR). Regular communication with the Director of Finance.
Wider dimension issues and risks		
<p>5 Financial position</p> <p>The 2018/19 NHS Annual Operational Plan (AOP) identified a break-even position dependent on NHS Fife achieving savings of £19.6 million. The year-to-date position at the end of October 2018 was a £1.3 million overspend and a forecast year-end overspend of £2.6 million. The majority of savings identified for 2018/19 have been allocated to workstreams but the detailed plans on how these will be delivered have yet to be developed.</p> <p>There is a significant risk that NHS Fife is unable to deliver the savings needed to achieve its statutory break-even target.</p>	<ul style="list-style-type: none"> Timely reporting of the year to date financial position and forecast outturn in the IPR. Progress on the delivery of savings against each workstream is reported in the IPR. Updates on progress with the identification of specific savings plans go to the Finance, Performance and Resources (FPR) Committee. Consistent reporting between the IPR and Financial Performance Returns to Scottish Government and as at October 2018 no formal request for additional resources requested. 	<ul style="list-style-type: none"> Undertake follow up work on financial management. This includes reviewing progress on the delivery of savings plans and the effectiveness of in-year budget reporting. Monitor the development of the budget projection for the remainder of the financial year. Consider any contingency actions if financial balance is not to be achieved. Review internal audit reports on the Savings Programme (B23/19) and Financial Management (B25/19).
<p>6 Financial sustainability</p> <p>An initial three year financial outlook for the period 2019/20 to 2021/22 was presented to the FPR Committee in September 2018 and updated in November 2018. This recognised a potential financial gap of approximately £10 million per annum for the next</p>	<ul style="list-style-type: none"> Financial sustainability is monitored through the Board Assurance Framework (BAF). The financial position reported in the IPR identifies recurring 	<ul style="list-style-type: none"> Undertake follow up work on financial planning. This work will review the reliance on and nature of non-recurring savings in year and progress and achievement of medium term financial plans.

 Audit Risk	Source of assurance	Planned audit work
<p>three years assuming that recurring savings from 2018/19 onwards are achieved. £19.6 million recurring savings are required this year and as at September 2018 only £3.6 million had been identified on a recurring basis. Unachieved legacy savings will increase the budget gaps further.</p> <p>There is a significant risk that NHS Fife will continue to rely on non recurring savings and be unable to deliver the savings required to achieve a balanced budget on a recurring basis over the new three year planning and performance cycle.</p>	<p>and non recurring savings.</p> <ul style="list-style-type: none"> The financial outlook for the three period from 2019/20 to 2021/22 will be refined as the year progresses, alongside the development of the Regional Delivery Plan (RDP) for the East of Scotland. Service planning discussions will be held in January/ February 2019 to consider the extent to which individual services can identify their own sustainability plans to address the financial gap in their area. An NHS Fife equivalent of the Medium Term Health and Social Care Financial Framework, published by the Scottish Government in October 2018 will be developed to inform medium to long term planning. 	<ul style="list-style-type: none"> Review internal audit report on Financial Planning (B24/19).
<p>7 Best value</p> <p>NHS Board Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value (BV). We have identified the following BV risks at the board:</p> <ul style="list-style-type: none"> Performance management – ongoing challenges in meeting key national performance targets with 13 targets outwith acceptable standards in the October 2018 IPR. NHS Fife had the highest sickness absence rate (5.8%) among the territorial boards for 2017/18. Workforce sustainability – an ageing workforce and recruitment challenges in key specialities 	<ul style="list-style-type: none"> Annual assurance statement completed by each committee, which includes assurances on the achievement of best value. Timely reporting of year to date performance and actions to improve performance in the IPR. NHS Fife Workforce Strategy approved in July 2018 setting out the key workforce supply and demand challenges and the steps the board will take nationally, regionally and locally 	<ul style="list-style-type: none"> Review of a sample of performance targets considering what improvement action is being taken and how planned improvements are monitored. Review of NHS Fife's transformation programme to consider the scale, timetable and expected outcomes of key projects and consider the processes for community engagement, consideration of equality (EQIA), and reporting progress. Review internal audit report on Organisational Performance Management (B14/19).

 Audit Risk	Source of assurance	Planned audit work
<ul style="list-style-type: none"> • Use of assets – backlog maintenance costs have increased to £77.6m. • Transformation and redesign, including services delivered by Fife Health and Social Care Partnership (H&SCP). There are a number of ongoing challenges to be addressed to redesign acute services and make health and social care integration effective across Fife. 	<p>to ensure service sustainability.</p> <ul style="list-style-type: none"> • An interim update on the NHS Fife PAMS presented to the board in September 2018. • The BAF for Environmental Sustainability is monitored by the FPR Committee. • NHS Fife Clinical Strategy 2016 – 2021 provides strategic direction for the future delivery of clinical services and is closely aligned to the H&SCP Strategic Plan. • During 2017/18, the recommendations in the Clinical Strategy were developed into a transformation programme that included programmes of work from both Acute Services and the H&SCP. Four key priorities have been identified with three of these being taken forward by the H&SCP under the leadership of its Chief Officer. • The Joint Strategic Transformation Group (JSTG) was formed to have oversight of the transformation programme. 	
<p>8 Dependency on key suppliers</p> <p>NHS Fife is dependent on a number of key suppliers to support essential operational activities e.g. InterSystems who provide the Patient Management System, TrakCare. There is a risk that hospital services may be disrupted if any of these suppliers encountered financial difficulties.</p>	<ul style="list-style-type: none"> • The majority of key systems are provided under national contracts or contracts awarded to pre-approved suppliers under national framework agreements. • Due diligence for local contracts is carried out by the board as part of the procurement process. 	<ul style="list-style-type: none"> • We will complete a short questionnaire, prepared by Audit Scotland, to establish the extent, value and nature of key supplier dependencies that can inform the national position. • We will review business continuity arrangements for a sample of key systems, including TrakCare. • We will consider the arrangements in place, within NHS Fife, to monitor

 Audit Risk	Source of assurance	Planned audit work
	<ul style="list-style-type: none"> • A self-assessment against the 41 Resilience Standards in the framework developed by NHS Scotland Health Resilience Unit (NHRU) was completed and the results reported to the Clinical Governance Committee in September 2018. • A Corporate Business Continuity Plan is in the final stages of development. • The BAF for Quality and Safety is monitored by the Clinical Governance Committee. 	<p>the ongoing financial position of key suppliers.</p>
<p>9 Leadership and openness</p> <p>The NHS in Scotland 2018 report, published in October 2018, highlighted the need for effective leadership and more openness across NHS Scotland. A number of non executive members have resigned from the board in the last two years and there have also been some changes in the Executive Directors Group.</p> <p>A new governance structure was introduced in 2017 with more scrutiny being undertaken at committee rather than board level. Membership of committees has changed over the period which increases the risk of a loss of knowledge and experience.</p> <p>We note that the papers for the FPR Committee have not been available on NHS Fife's website since October 2017.</p>	<ul style="list-style-type: none"> • Review of governance arrangements in terms of process, committees and structure completed during early 2017. • Refresher training session for members of the Audit and Risk Committee in October 2018. • New Chief Operating Officer appointed and will take up post in January 2019. 	<ul style="list-style-type: none"> • We will consider compliance with the Audit Scotland guidance note on openness and transparency. • We will consider the operation and scrutiny of committees by arranging a meeting with non executive members to discuss any issues and explore effectiveness. • We will continue to attend board and committee meetings. • Our work on performance targets, the transformation programme and financial management includes consideration of the reporting and scrutiny arrangements.
<p>10 EU withdrawal</p> <p>The UK will leave the European Union on 29 March 2019. and NHS Fife is planning for a significant impact from this, particularly on:</p> <ul style="list-style-type: none"> • Maintaining services if there is a loss of employees who are EU citizens or difficulties in recruiting people to fill vacancies. 	<ul style="list-style-type: none"> • A paper on the Implications of Brexit - NHS Workforce was presented to the FPR Committee in September 2018. • An operational readiness checklist was submitted to the Cabinet Secretary in September 2018. 	<ul style="list-style-type: none"> • We will use guidance produced by Audit Scotland and review the discussions and outputs of NHS Fife's short life working group to assess the extent of issues and preparations for EU withdrawal.

	Audit Risk	Source of assurance	Planned audit work
•	Nuclear medicine: diagnostic and treatment, and other scarce items.	• A return focussing on the public sectors readiness for the workforce implications from EU withdrawal was also completed.	
•	Impact on patient access to medicines and medical technologies.		
•	Procurement and the supply chain.	• A BREXIT short-life working group has been established to work through the issues identified.	
•	Cross-border co-operation on public health matters.		
•	Impact on the economy.	• A survey is planned to capture information on the nationalities of the board's workforce.	
	As the board has not evaluated these risks or prepared appropriate action plans there is a risk that it is not adequately prepared for EU withdrawal.		

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 NHS Fife, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

8. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year-end, i.e. 31 December. Management are required to submit their audited financial statements by 30 June to meet the consolidation timetable.

Exhibit 2

2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	6 December 2018	13 December 2018
Management Report	9 May 2019	16 May 2019 (provisional)
Annual Audit Report	13 June 2019	20 June 2019 (ARC meeting - provisional)
Independent Auditor's Report	26 June 2019	26 June 2019 (board meeting - provisional)

Source: Audit Scotland

Audit fee

9. The agreed audit fee for the 2018/19 audit of NHS Fife is £154,510 (2017/18: £154,560). In determining the audit fee we have taken account of the risk exposure of NHS Fife, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 3 May 2019.

10. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit and Risk Committee and Accountable Officer

11. 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.

12. The audit of the financial statements does not relieve management or the Audit and Risk Committee as those charged with governance, of their responsibilities.

Appointed auditor

13. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

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

Audit scope and timing

Financial statements

15. The statutory financial statements audit 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 NHS Fife 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 NHS Fife 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.

16. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the state of affairs of NHS Fife and its group at the year end and net expenditure for the year
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
- the regularity of the expenditure and income
- whether the auditable part of the remuneration and staff report has been properly prepared in accordance with relevant legislation and other reporting requirements
- whether the information in the performance report and governance report is consistent with the financial statements.

Other information in the financial statements

17. 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.

18. 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

19. 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.

20. We calculate materiality at different levels as described below. The calculated materiality values for NHS Fife 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 estimated gross expenditure for the year ended 31 March 2019.	£12 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 50% of planning materiality.	£6 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 (rounded).	£125,000

Source: Audit Scotland

Timetable

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

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited financial statements with complete working papers package	3 May 2019
Latest date for final clearance meeting with Director of Finance and other relevant Officers	4 June 2019
Issue of draft Letter of Representation and proposed independent auditor's report	13 June 2019
Agreement of audited unsigned financial statements	13 June 2019
Issue of draft Annual Audit Report to those charged with governance	13 June 2019
Independent auditor's report signed	26 June 2019

Internal audit

22. Internal audit is provided by FTF Audit and Management Services (FTF). As part of our planning process we carry out an annual assessment of the internal audit function and concluded that FTF, generally, operates in accordance with the Public Sector Internal Audit Standards (PSIAS). It has, to date, not complied with the requirement to have an external review carried out. FTF has appropriate documentation standards and reporting procedures in place.

Using the work of internal audit

23. 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.

24. We do not plan to place formal reliance on FTF work to support our audit opinion this year but in respect of our wider dimension audit responsibilities we plan to consider the following internal audit reports:

- B13/19 - Improvement, Innovation and Operational Planning.
- B14/19 - Organisational Performance Management
- B19/19 - Risk Management.
- B23/19 - Savings Programme
- B24/19 - Financial Planning
- B25/19 - Financial Management
- B31/19 - Information Assurance and Security
- B32/ 19 - eHealth Strategic Planning and Governance
- B33/19 - Endowment Funds

25. It should be noted that internal audit reports relating to a number of wider dimension areas identified in our 2017/18 annual audit plan were delayed until 2018/19. We have been informed that fieldwork has not commenced on any of the above areas for the current year and it is likely that our own work in some of these areas will commence before we have the opportunity to consider the final internal audit report.

Audit dimensions

26. 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

Financial sustainability

27. 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

28. 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 NHS Fife has arrangements in place to ensure systems of internal control are operating effectively
- whether NHS Fife can demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- how NHS Fife has assured itself that its financial capacity and skills are appropriate
- whether NHS Fife has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

29. 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 NHS Fife 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

30. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether NHS Fife can provide evidence that it is demonstrating value for money in its achievement of performance targets.

Strategic plan for the five year appointment

31. As part of our responsibility to report on the audit dimensions over the current audit appointment we have identified the following areas of proposed audit work (this will be subject to annual review):

Exhibit 6

Strategic plan

Dimension	2018/19	2019/20	2020/21
Financial sustainability	Financial planning – follow up of prior year findings	Financial planning	Financial planning
Financial management	Financial reporting and budgeting – follow up of prior year findings	Financial reporting and budgeting	Financial reporting and budgeting
Governance and transparency	Leadership and openness, including the operation of and scrutiny by committees. Assessment of dependency on key suppliers and review of business continuity arrangements including TrakCare. EU withdrawal		
Value for money	Performance targets Transformation programme – timelines, milestones etc	Staff recruitment/ temporary staff costs	Workforce planning Use of assets

Independence and objectivity

32. 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.

33. The appointed auditor for NHS Fife is Brian Howarth, 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 NHS Fife.

Quality control

34. 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.

35. 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.

36. 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 appointed auditor.

NHS Fife

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