

West Dunbartonshire Integration Joint Board

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for West Dunbartonshire 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.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

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

Adding value

3. We aim to add value to the West Dunbartonshire Integration Joint Board (WDIJB) 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 WDIJB 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 West Dunbartonshire Integration Joint Board. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<p>1</p> <p>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.</p> <p>Recent internal audit findings at West Dunbartonshire Council highlighted that procurement financial regulations were regularly circumnavigated.</p> <p>There is a risk that this may be the case with the procurement of social work contracts.</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"> Review the findings of the internal audit in relation to procurement and tendering for WDIJB. Review of governance statement. 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.

	Audit Risk	Source of assurance	Planned audit work
2	<p>Risk of fraud over expenditure</p> <p>The expenditure of WDIJB is processed through the financial systems of West Dunbartonshire Council and NHS Greater Glasgow and Clyde. There is a risk that non IJB related expenditure is incorrectly coded to IJB accounts.</p>	Robust budget monitoring.	<ul style="list-style-type: none"> • Gaining assurances from the auditors of the council and health board over the accuracy, completeness and appropriate allocation on the IJB ledger entries. • Carry out testing to confirm the accuracy and correct allocation of IJB transaction, and that they are recorded in the correct financial year.
3	<p>Hospital acute services (Set Aside)</p> <p>The “set aside” budget is the IJB’s share of the budget for delegated services provided by hospitals on behalf of the IJB.</p> <p>The Board recently agreed an estimated figure for 2018/19, with a view to reflecting the true cost and activity from 1 April 2019.</p> <p>There is a risk that the sum set aside in the 2018/19 annual accounts will be misstated, not reflecting actual hospital use.</p>	<p>A working group of representatives from the six Glasgow IJB’s, the Scottish Government and NHSGGC are continuing to work on an agreed mechanism to accurately reflect the sum set aside.</p>	<ul style="list-style-type: none"> • Engage with officers to ensure that a robust mechanism has been developed to quantify set aside figures. • Monitor Scottish Government guidance on the treatment of set aside in the 2018/19 financial statements to establish whether the disclosure in the financial statements is compliant. Provide update in the Annual Audit Report.
4	<p>Financial sustainability - Going concern</p> <p>The most recent financial monitoring report (for the period to 31 December 2018) shows a projected overspend of £0.228m. The recovery plan presented to the Board (November 2018) sets out that reserves will be used to fund any overspend, after the application of mitigating actions. The reserves position as at 31 March 2018 was £1.705m, which is already below the IJB’s reserve target of 2% of net expenditure (excluding Family Health Services expenditure).</p> <p>There are currently no medium-long term financial plans in place to demonstrate how the IJB will secure the financial sustainability of its services in the future.</p> <p>There is a risk that the IJB is not financially sustainable. As a result the IJB needs to demonstrate that the going concern basis is appropriate for the 2018/19 accounts.</p>	<p>Going concern assurance received from Chief Finance Officer of the IJB.</p> <p>Recovery plans are in place to minimise the utilisation of reserves.</p> <p>The IJB presented to the November 2018 Board meeting a review of earmarked reserves which indicated that an element could be unearmarked and added to general reserves.</p> <p>Medium-long term financial plans are within the planned scope of work for the Chief Financial Officer and Heads of Service.</p>	<ul style="list-style-type: none"> • Review the Chief Financial Officer’s assessment of going concern for the 2018/19 accounts • Review ongoing budget monitoring reports to ensure they accurately reflect the position of the partnership. • Review of the IJB’s year end position. • Review of financial and budgetary reports. • Review of the IJB’s recovery plan. • Review of the year end position of reserves after possible unearmarking to general reserves • Review medium-long term financial plans and report an update in the Annual Audit Report.

	Audit Risk	Source of assurance	Planned audit work
Wider dimension issues and risks			
5	Financial management The IJB has not yet received a formal offer from the Health Board regarding the 2019/20 budget. For the IJB to progress their budget setting process, indicative figures have been used. West Dunbartonshire Council will also not agree its budget until 27 March 2019. There is a risk that these figures will not be finalised before the start of the 2019/20 financial year and the IJB will be operating without a formally agreed budget. Furthermore, if partner contributions are lower than the indicative budget, this will increase the risk of financial sustainability.	Continuous discussions between the IJB, Council and Health Board to provide the most up to date position regarding budget setting. The latest budget update taken to IJB Board includes indicative figures taking into account different allocations from the Health Board and Council.	<ul style="list-style-type: none"> • Ongoing monitoring of budget setting for 2019/20. • Confirmation of agreement of funding from host bodies.
6	EU withdrawal There are considerable uncertainties surrounding the implications of the EU withdrawal and public bodies should assess the potential impact on their operations and identify specific responses. The current risk register for the IJB fails to include EU withdrawal as a risk. There is a risk that the IJB is not prepared for the impact of EU withdrawal on the delivery of services.	The Chair of the IJB Board has requested a report be presented to the Board outlining the specific impact of EU withdrawal on the IJB. The re-drafted risk register to be presented to the next Audit Committee includes the risk of EU withdrawal. The SMT has responded to requests from the Council and Health Board for more information around EU withdrawal implications, risks and mitigating actions.	<ul style="list-style-type: none"> • Review any work completed outlining the specific impact of EU withdrawal and assess the mitigating actions taken. • Consider how the IJB responds to any emerging issues after March 2019.
7	Best Value The IJB should have arrangements in place to demonstrate that it is delivering Best Value in the provision of services. There is currently no mechanism for formal review of Best Value. Also, the annual performance report for WDIJB did not include information on how the IJB is delivering Best Value. Other areas noted, include:	This is within the planned scope of work to be completed by the IJB Chief Financial Officer and the Head of Strategy, Planning and Health Improvement.	<ul style="list-style-type: none"> • Monitor progress against developing a mechanism to demonstrate that the IJB is achieving Best Value. • Review the 2018/19 Annual Performance Report • Review the IJB's self evaluation against Audit Scotland's national report "Health and Social Care Integration Update".
	<ul style="list-style-type: none"> • The IJB is not deploying its self-evaluation framework. 		

	Audit Risk	Source of assurance	Planned audit work
	<ul style="list-style-type: none"> There is also a lack of benchmarking of performance indicators against other IJB's. <p>There is a risk that the IJB does not implement a culture of self-evaluation and opportunities for continuous improvement are missed.</p>		
8	<p>External audit recommendations slippage</p> <p>There has been slippage in implementing agreed external audit recommendations, including those made in our 2016/17 Annual Audit Report which have been brought forward to the current year plan.</p> <p>There is a risk that the IJB is not implementing improved actions in line with agreed timescales.</p>	<p>Implementing Best Value and medium-long term financial planning recommendations is within the planned scope of work.</p>	<ul style="list-style-type: none"> Monitor progress against 2017/18 annual audit report recommendations and report on this in 2018/19 annual audit report.
9	<p>Governance arrangements</p> <p>Currently there are non-voting member vacancies within the Board. This has been the case, in one instance, since May 2018</p> <p>There is a risk that the Board is unable to effectively deliver its duties.</p>	<p>The role of the Professional Nurse Advisor has been filled with a start date imminent.</p>	<ul style="list-style-type: none"> Monitoring the Board's progress in filling vacancies as part of our wider scope governance and transparency work. An update will be provided in our 2018/19 Annual Audit Report.

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 West Dunbartonshire Integration Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the IJB and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	29 March 2019	13 March 2019
Annual Audit Report	30 September 2019	25 September 2019
Independent Auditor's Report	30 September 2019	25 September 2019

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2018/19 audit of WDIJB is £25,000 (2017/18 £24,000). In determining the audit fee we have taken account of the risk exposure of WDIJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 30 June 2019.

9. 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 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 financial statements does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

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

13. Auditors in the public sector give an independent opinion on the financial statements and other information within the financial statements. 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 Accounts

14. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of WDIJB 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 West Dunbartonshire Integration Joint Board will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

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 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom of the financial position of the West Dunbartonshire Integration Joint Board as at 31 March 2019 and its income and expenditure for the year then ended.
- Whether they have been properly 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Other information in the financial statements

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

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

Materiality

18. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

19. We calculate materiality at different levels as described below. The calculated materiality values for West Dunbartonshire Integration Joint Board 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 1.5% of gross expenditure for the year ended 31 March 2019 based on the latest audited accounts for 2017/18.	£2.741 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 70% of planning materiality.	£1.919 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 2% of planning materiality (rounded to the nearest £50,000).	£50,000

Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that a financial statements 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
Consideration of unaudited financial statements by those charged with governance	19 June 2019
Latest submission date of unaudited annual accounts with complete working papers package	30 June 2019
Latest date for final clearance meeting with Chief Financial Officer	TBC
Issue of Letter of Representation and proposed independent auditor's report	25 September 2019
Agreement of audited unsigned annual accounts	25 September 2019
Issue of Annual Audit Report including ISA 260 report to those charged with governance	25 September 2019
Independent auditor's report signed	30 September 2019

Internal audit

21. Internal audit is provided by West Dunbartonshire Council overseen by the Audit and Risk Manager. 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 Public Sector Internal Audit Standards (PSIAS). Our assessment found that the internal audit function operates in accordance with PSIAS and has sound documentation standards and reporting procedures in place. As part of our audit work we will also assess the arrangements in place for sharing internal audit reports from NHSGGC with the IJB Board.

Using the work of internal audit

22. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure that the total resource is used efficiently or effectively.

23. In respect of our wider dimension audit responsibilities we plan to consider the following internal audit work:

- Social work tendering and commissioning
- Children with additional needs transitioning into adults
- Charging policy (non-residential services)

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.

26. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

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 IJB'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 WDIJB has arrangements in place to ensure systems of internal control are operating effectively
- whether WDIJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how WDIJB has assured itself that its financial capacity and skills are appropriate
- whether WDIJB 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 WDIJB 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 / Best Value

30. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- WDIJB can provide evidence that it is demonstrating Best Value.
- WDIJB can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- WDIJB can demonstrate that outcomes are improving.
- There is sufficient focus on improvement and the pace of it.

Independence and objectivity

31. 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.

32. The engagement lead (i.e. appointed auditor) for WDIJB is Fiona Mitchell-Knight, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of WDIJB.

Quality control

33. 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.

34. 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.

35. 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.

West dunbartonshire Integration Joint Board

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