

East Dunbartonshire Integration Joint Board

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for by East Dunbartonshire Integration Joint Board

February 2020

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 which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

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


Adding value


3. We aim to add value to the East Dunbartonshire Integration Joint Board (hereby referred to as the IJB) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


4. Based on our discussions with staff, attendance at Board & committee meetings and a review of supporting information we have identified the following significant risks for East Dunbartonshire Integration Joint Board. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.

 Audit Risk	Source of assurance	Planned audit work
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure.</p> <p>As the expenditure of EDIJB is processed through the financial systems of NHS Greater Glasgow & Clyde and East Dunbartonshire Council, there is a risk that expenditure that does not relate to the IJB is included in the accounts or that expenditure that does relate to the IJB is omitted from the accounts.</p>	<ul style="list-style-type: none"> • Robust budget monitoring. 	<ul style="list-style-type: none"> • Assurances will be obtained from the auditors of NHS Greater Glasgow & Clyde and East Dunbartonshire Council over the accuracy, completeness and allocation of the Integration Joint Board ledger entries recorded in the correct financial year.
<p>3 Hospital acute services (Set Aside)</p> <p>The “set aside” budget is the Integration Joint Board’s share of the budget for delegated acute services provided by hospitals on behalf of the Joint Board.</p> <p>The Board recently agreed an estimated figure for 2019/20, with a view to reflecting the true cost and activity from 1 April 2020.</p> <p>There is a risk that the sum set aside in the 2019/20 IJB accounts does not accurately reflect the true cost of acute services.</p>	<ul style="list-style-type: none"> • Work continues within the NHS GG&C Chief Finance Officer Group, with support from the SG, in tandem with the development of an un-scheduled Care Commissioning plan to deliver a mechanism for set aside. Regular reports provided to HSCPs to give an indication of spend based on activity against budget. Awaiting final guidance from the SG to support full implementation. 	<ul style="list-style-type: none"> • Engage with officers to ensure that a robust mechanism has been developed to quantify set aside income and expenditure • Monitor Scottish Government guidance on the treatment of set aside in the 2019/20 financial statements to establish whether the financial statements are compliant.
Wider dimension risks		
<p>4 Financial sustainability and going concern</p> <p>Based on the latest budget monitoring report presented to the January 2020 Board meeting (for the period to 30 November 2019) there is a projected overspend for 2019/20 of £2.538 million. The budget includes the planned use of £0.346 million of earmarked reserves. This is mainly due to overspends in Older People Community Services.</p>	<ul style="list-style-type: none"> • Ongoing monitoring of expenditure against budget. • Robust financial plan for 2019/20 which delivers financial balance and opportunities for sustainability moving forward. • Longer term financial plan in development. • Integrated partnership meetings during 2019/20 with the Chief Executives, Chief Officer, NHS GG&C DOF and Chief Finance 	<ul style="list-style-type: none"> • Ensure budget monitoring is robust and accurately reflects the financial position. • Confirmation of agreement of funding and balances with host bodies. • Review of the IJBs recovery plan agreed with EDC and NHSGG&C. • Review and report on progress against our 2018/19 audit

 Audit Risk	Source of assurance	Planned audit work
<p>The reserves held by the Board are expected to be fully utilised in year and a financial recovery plan was approved at the IJB meeting on 5 September 2019 in order to put in place measures to mitigate the anticipated financial challenges.</p> <p>In addition, there are no long term financial plans in place to demonstrate how the IJB will secure the financial sustainability of its services in the future.</p> <p>There is a risk that the IJB is not financially sustainable. As a result, the IJB needs to demonstrate that the going concern basis is appropriate for the 2019/20 annual accounts.</p>	<p>Officers focussed on supporting the HSCP budget position for 19/20 and pressures moving into future years. Recovery Plan approved and oversight in place, reported regularly through the IJB.</p>	<p>recommendation in relation to this risk.</p> <ul style="list-style-type: none"> Review the IJBs evidence to support the going concern assumption for the 2019/20 accounts
<p>5 Achievement of Efficiency Savings</p> <p>The financial monitoring report presented to the January 2020 meeting of the Board confirmed that the planned savings for 2019/20 are £3.75 million. Of this total, £1.66 million of the required savings have so far been identified as part of the IJB's transformation activity, leaving a shortfall of £2.1 million.</p> <p>There is a risk that the IJB may not be able to generate sufficient efficiencies and cost savings to bridge the remaining funding gap.</p>	<ul style="list-style-type: none"> Robust financial plan and transformation agenda which ensures efficiency savings are delivered and IJB achieves financial balance. HSCP has a Transformation Board which challenges and supports the delivery of the transformation programme including efficiency savings. Oversight of this programme is through the HSCP Performance, Audit and Risk Committee. 	<ul style="list-style-type: none"> Ongoing review of budget monitoring reports including details of identified savings.
<p>6 2020/21 budget setting process</p> <p>The timing of budget setting for the UK and Scottish public sector has led to increased uncertainty for IJBs in setting 2020/21 budgets.</p> <p>East Dunbartonshire Council is due to set its 2020/21 budget on 20 February 2020 but there is a risk that that the budget does not reflect the final settlement, and further in-year savings need to be</p>	<ul style="list-style-type: none"> Tri-partite meetings with partner agency Chief Executives, Chief Officer, DOF and Chief Finance Officers to discuss 2020/21 financial challenge. Robust analysis of pressures areas for Older People and Learning Disability undertaken and shared with partner agencies to further understanding and future planning. Interim HSCP leadership arrangements and support through Council 	<ul style="list-style-type: none"> Ongoing monitoring of budget setting process for 2020/21, including confirmation of funding from host bodies.

	Audit Risk	Source of assurance	Planned audit work
	<p>made that impact on the IJB budget.</p> <p>EDIJB is due to set its budget on 26 March 2020 and, as in past years, indicative figures will be used for the Health Board's contributions.</p> <p>If partner contributions are lower than expected, this will impact on the 2020/21 EDIJB budget and the planned delivery of services.</p>	<p>Depute Chief Executive to support development of a sustainable programme of transformation going forward.</p>	
7	<p>Demonstrating the delivery of Best Value</p> <p>EDIJB are required to have arrangements in place to demonstrate that it is delivering Best Value in the provision of services.</p> <p>There is a risk that the IJB does not continue to demonstrate that it is delivering Best Value and evidence how the IJB is changing the way care services are delivered and realigning budgets to support this.</p>	<ul style="list-style-type: none"> The IJB has established a Best Value framework which was approved by the Performance, Audit and Risk Committee in March 2019. the IJB plans to complete an annual review of the HSCPs arrangements for demonstrating it is delivering Best Value. 	<ul style="list-style-type: none"> Review evidence of continuous improvement reported within EDIJB's 2019/20 Annual Performance Report.

Source: Audit Scotland

5. International auditing standards require auditors to make a presumption of a risk of fraud in the recognition of income other than where there are circumstances that would allow this presumption to be rebutted. As the Joint Board is wholly funded by NHS Greater Glasgow & Clyde and East Dunbartonshire Council we have concluded that there is no risk of material misstatement caused by fraud over income recognition and have therefore rebutted this presumption. As a result we do not plan to conduct audit procedures to address this risk.

Reporting arrangements

6. 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.

7. 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.

8. We will provide an independent auditor's report to Dunbartonshire Integration Joint Board, East Dunbartonshire Integration Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the Chief Finance & Resources Officer and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31 March 2020	17 March 2020
Independent Auditor's Report	30 September 2020	TBC
Annual Audit Report	30 September 2020	TBC

Source: Audit Scotland

Audit fee

9. The proposed audit fee for the 2019/20 audit of East Dunbartonshire Integration Joint Board is £26,560 (2018/19: £28,440). In determining the audit fee we have taken account of the risk exposure of the IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 5 June 2020.

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

Responsibilities

Performance, Audit & Risk Committee and Chief Finance & Resources 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 annual accounts does not relieve management or the Performance, Audit & Risk committee as those charged with governance, of their responsibilities.

Appointed auditor

13. 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.

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

Audit scope and timing

Annual accounts

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

- understanding the business of the IJB and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

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

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Board as at 31 March 2020 and of the income and expenditure of the Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

Statutory other information in the annual accounts

17. We also review and report on statutory 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.

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 the IJB are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts.	£1.603 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£0.962 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.	£16,000



Source: Audit Scotland

Timetable

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

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual report and accounts by those charged with governance	TBC
Latest submission date of unaudited annual report and accounts with complete working papers package	5 June 2020
Latest date for final clearance meeting with Chief Finance & Resources Officer	4 September 2020
Issue of Letter of Representation and proposed independent auditor's report	11 September 2020
Agreement of audited unsigned annual report and accounts	11 September 2020
Independent auditor's report signed	TBC
Issue of Annual Audit Report to those charged with governance	TBC

Internal audit

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

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. As part of our wider dimension audit responsibilities we plan to consider the work of Internal Audit in the following areas:

- HSCP Directions
- Financial Planning

Audit dimensions

25. 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

26. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

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 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
- monitoring the arrangements put in place by the Board to minimise any disruption occasioned by the UK's withdrawal from the European Union

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 arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control system in communicating accurate and timely financial performance can be demonstrated
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place 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 the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

30. Value for money refers to using resources effectively and continually improving services. We will assess whether the Joint Board can provide evidence that it is demonstrating value for money in the use of resources, has a focus on improvement and that there is a clear link to the outcomes delivered.

Best Value

31. Integration Joint Boards have a statutory duty to make arrangements to secure best value. We will review and report on these arrangements.

EU withdrawal

32. The United Kingdom left the European Union on 31 January 2020. Work is ongoing with the Scottish Government and the Joint Board's partner organisations to ensure that all necessary and appropriate steps are taken to minimise any disruption caused by EU withdrawal during and beyond the 12 month transition period. We will continue to monitor developments in this area.

Independence and objectivity

33. 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.

34. The engagement lead (i.e. appointed auditor) for East Dunbartonshire Integration Joint Board is Fiona Mitchell-Knight, Audit Director. Auditing and ethical

standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of East Dunbartonshire Integration Joint Board.

Quality control

35. 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.

36. 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.

37. 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.

Dunbartonshire Integration Joint Board

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

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