

# Angus Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

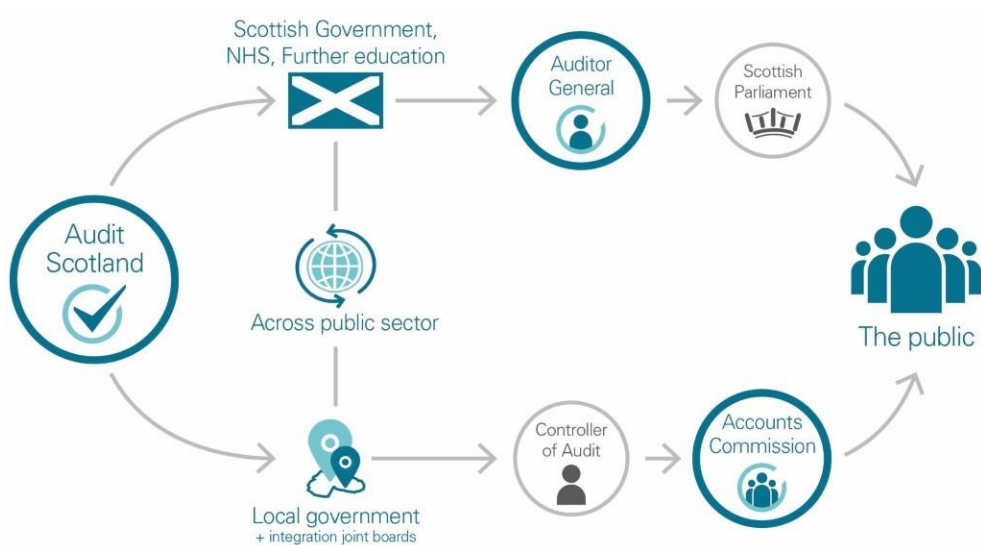
Prepared for Angus Integration Joint Board

April 2021

## 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

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**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 including the audit of Best Value.

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

## Impact of the Covid-19 pandemic

**3.** The public health crisis caused by the coronavirus disease 2019 (Covid-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Health and social care services have been front and centre of the public service response to the pandemic, requiring changes to the way services are provided in many cases. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses, and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

**4.** Public audit has an important contribution to make to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. We have recently published an update report [Covid-19: What it means for public audit in Scotland](#).

## Adding value


**5.** We aim to add value to Angus Integration Joint Board (Angus IJB) 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 promote improved standards of governance, better management and decision making and more effective use of resources.


## Audit risks

**6.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for Angus IJB. 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

### 2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of material misstatement due to management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of fraud due to management override of controls to change the financial statements disclosures.</p>	<ul style="list-style-type: none"> <li>Owing to the nature of this risk, assurances from management are not applicable in this instance.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate assurances obtained from the auditors of Angus Council and NHS Tayside over the completeness and accuracy of income and expenditure.</li> <li>Check accuracy of consolidation of financial reports from the two partners.</li> <li>Detailed testing of any significant adjustments at year end.</li> <li>Review of financial monitoring reports during the year.</li> </ul>
<p><b>2 Risk of error in areas of estimation and judgement</b></p> <p>There is significant management estimation and judgement in the calculation of the Large Hospital Set Aside (LHSA), which is the IJB's share of the acute services provided by hospitals on behalf of the IJB. The figure is estimated based on prior year data and activity levels. A similar issue relates to Mental Health In Patient Services now operationally managed by NHS Tayside.</p> <p>In addition, following Scottish Government announcements of Covid-related financial support for care providers, the IJB has made support payments to care home providers to ensure that they can continue to operate with low occupancy rates. The IJB will need to estimate the extent of any claims not yet received from providers at the year end.</p> <p>The IJB is also considering whether these payments are made on an agency basis (i.e. on behalf of the Scottish Government) which requires a separate disclosure in the annual accounts.</p> <p>Any degree of estimation requiring judgement in a material figure presents a risk of misstatement in the accounts.</p>	<ul style="list-style-type: none"> <li>The IJB continues to work with NHS Tayside and the other Tayside IJBs to agree an appropriate mechanism reflecting Acute activity levels in 2020/21 and Mental Health Services.</li> <li>2020/21 year end LAAP bulletin is expected to provide clarity on accounting requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate the robustness of the LHSA methodology agreed by NHS Tayside and the IJBs, and also the methodology for calculating the IJB's share of Mental Health In Patient Services costs.</li> <li>Assess the accounting treatment and disclosure of Covid support payments.</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
<b>Wider dimension risk</b>			
<b>3</b>	<b>Financial sustainability</b>  NHS Tayside and Angus Council face significant financial pressures from funding reductions and increasing demand. The Covid-19 pandemic has disrupted the achievement of planned savings measures. The IJB's Strategic Financial Plan Update 2021–24 (reported in December 2020) identified a cumulative funding gap of £4.9m by 2023/24.  There is a risk that the IJB, in partnership with NHS Tayside and Angus Council, may not be able to identify sustainable savings measures or meet cost pressures as they arise.	<ul style="list-style-type: none"> <li>Budget settlement and financial planning update papers provided to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Review progress made on meeting savings targets and dealing with cost pressures.</li> <li>Assess the reasonableness of the assumptions in the strategic financial plan updates.</li> </ul>
Source: Audit Scotland			

**7.** As set out in ISA (UK) 240, there is a presumed risk of fraud in revenue recognition. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public sector bodies are net spending bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted these presumed risks in 2020/21 for Angus IJB. (I.e. following our assessment of these risks, as required by auditing standards, we have concluded that they are not significant risks for our 2020/21 audit of Angus IJB.)

**8.** In practice, the opportunity and incentive to manipulate income in the public sector is much lower than in the private sector and the IJB relies on its partner bodies' systems to authorise, process and record transactions. The IJB does not have any assets, nor does it directly incur expenditure, make cash transactions, or employ staff (other than appointing the Chief Officer and Chief Finance Officer). All income and expenditure for the IJB is incurred and processed by its partner bodies. We rely on assurances from the external auditors of Angus Council and NHS Tayside to confirm that satisfactory arrangements are in place in the partner bodies to identify this income and expenditure and report this to Angus IJB.

## Reporting arrangements

**9.** Audit reporting is the visible output for the annual audit and is detailed in [Exhibit 2](#). All outputs will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**10.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy.

**11.** We will provide an independent auditor's report to Angus IJB and the Accounts Commission setting out our opinions on the annual accounts. We will provide the members of Angus IJB and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**12.** The management of the unique and continuing challenges presented by Covid-19 means that we need to continue to take into consideration that audits are taking longer, and we are starting the current year's audit later. This has an impact on the proposed reporting timescales, based on resources available and prioritisation decisions. This is reflected in the timetables below which we will endeavour to meet, whilst recognising that greater uncertainty exists during the Covid-19 pandemic.

## Exhibit 2 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	9 April 2021	21 April 2021
Independent Auditor's Report	30 September 2021*	29 September 2021
Annual Audit Report	30 September 2021*	29 September 2021

\* These dates represent when the independent auditor's report will be signed and the final annual audit report issued. We will provide copies to those charged with governance in advance of the September committee to enable them to be considered.

### Audit fee

**13.** The proposed audit fee for the 2020/21 audit of Angus IJB is £27,330 (2019/20 £26,560). 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 30 June 2021.

**14.** 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

#### Audit Committee and Management

**15.** 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.

**16.** The audit of the annual accounts does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

#### Appointed auditor

**17.** 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. 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 and use of resources. In doing this, we aim to support improvement and accountability.

**18.** Our audit team membership has changed since last year. We include full details of the team in [Appendix 1](#).

# Audit scope and timing

## Annual accounts

**19.** 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 Angus IJB and the associated risks
- assessing the key systems of internal control, at the IJB and partner bodies, and establishing the impact of any identified weaknesses
- identifying major transaction streams, balances and areas of estimation and understanding how they impact the IJB financial statements
- assessing the risks of material misstatement in the IJB 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.

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

- give a true and fair view of the state of affairs of the body as at 31 March 2021 and of the income and expenditure 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 2020/21 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 2013.

## Statutory other information in the annual accounts

**21.** 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.

**22.** We also review the content of this information for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

## Materiality

**23.** 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.

**24.** We calculate materiality at different levels as described below. The calculated materiality values for Angus IJB are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements



## Exhibit 3

### Materiality values

Materiality	Amount
<b>Planning materiality</b> – 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 based on the latest finance report to Angus IJB (February 2021).	£1.8 million
<b>Performance materiality</b> – 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 75% of planning materiality.	£1.3 million
<b>Reporting threshold (i.e. clearly trivial)</b> – 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 5% of planning materiality.	£90,000



Source: Audit Scotland

## Timetable

**25.** 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 accounts by those charged with governance	23 June 2021
Receipt of unaudited annual accounts with complete working papers package	30 June 2021
Latest date for final clearance meeting with Chief Finance Officer	8 September 2021
Agreement of audited unsigned annual accounts	15 September 2021
Issue of Annual Audit Report, Letter of Representation and Proposed Independent Auditor's Report	
Consideration of the audited accounts and audit reporting by those charged with governance	29 September 2021
Signing of Independent Auditor's Report	30 September 2021

Source: Audit Scotland

## Internal audit

**26.** Internal audit is provided by Fife, Tayside & Forth Valley Audit and Management Services (FTF) with support from Angus Council's internal audit section. As part of our planning process we carried out an assessment of the internal audit function and concluded that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

### Using the work of internal audit

**27.** International 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.

**28.** We take audit assurance from the external auditors of Angus Council and NHS Tayside over the ledger information used to prepare the Angus IJB accounts. We do not plan to place formal reliance on the work of internal audit to reduce our financial statements audit testing. We will take account of all their work to inform our wider dimension audit responsibilities.

### Audit dimensions

**29.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

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## Exhibit 5

### Audit dimensions



Source: Code of Audit Practice

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**30.** The appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

### Financial sustainability

**31.** 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 medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium, and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether Angus IJB can demonstrate the affordability and effectiveness of the funding and investment decisions it has made.

**32.** The Covid-19 pandemic has had, and continues to have, a significant impact on the IJB's community health and social care services. Covid related capacity limitations have delayed delivery of the IJB's planned savings measures. Savings will need to be delivered to ensure the IJB can operate within its resources over the medium term.

### Financial management

**33.** 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 systems in communicating accurate and timely financial performance can be demonstrated
- how Angus 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.

**34.** The three Tayside IJBs and NHS Tayside are considering using a different data set to calculate the Large Hospital Set Aside amount for the 2020/21 annual accounts. 2020/21 large hospital usage was significantly affected by Covid-19; using 2020/21 activity data may be a more accurate approach. (The set aside calculation is usually based on activity data that is 1-2 years old by the time it's validated). As detailed in [Exhibit 1](#) we will review the methodology agreed by NHS Tayside and the IJBs to confirm that it is robust and based on appropriately validated activity data. We will also review the methodology for identifying the IJB's share of Mental Health In Patient Service costs. These services were previously hosted by Perth & Kinross IJB but are now operationally managed by NHS Tayside.

### Governance and transparency

**35.** 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 be assessing the IJB's revised governance arrangements implemented in 2020/21 because of the Covid-19 pandemic. We will also review, conclude, and report on:

- whether Angus IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with others)
- whether there is effective scrutiny, challenge, and transparency of decision-making.
- the quality and timeliness of financial and performance reporting.

**36.** The IJB's Chief Officer was appointed on an interim basis from 1 February 2020. This is still an interim post 14 months later. There are also succession planning challenges as other senior officers, within the partnership, have retired or are expected to retire shortly. Stability in the leadership team is critical for the IJB while it works with other public services to balance the ongoing challenges caused by the Covid-19 pandemic and to remobilise health and social care. We will review the progress of the IJB and its partners in recruiting a permanent Chief Officer, and in succession planning for the future.

**37.** The IJB has reported to the Audit Committee for several years on governance improvements which have not yet been implemented, partly due to limited capacity in the IJB and partly because the IJB is reliant on partner bodies to progress actions.

**38.** Some of the IJB's key governance documentation on the website is out of date or incomplete (e.g. Standing Orders and IJB members' registers of interest). It is important that the public have access to the most recent versions of key documents.

### **Value for money**

**39.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the IJB 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**

**40.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. We will review and report on how the IJB demonstrates that it has met its best value responsibilities.

### **Independence and objectivity**

**41.** 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.

**42.** The engagement lead (i.e. appointed auditor) for Angus IJB is Carole Grant, Audit Director. Auditing and ethical standards require the appointed auditor Carole Grant 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 Angus IJB.

### **Quality control**

**43.** International Standard on Quality Control 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.

**44.** 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.

**45.** 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.

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# Appendix 1: The Audit Team

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The core audit team consists of the following staff and might be supported at peak times with additional resources to ensure key reporting deadlines are met:



**Carole Grant CPFA**

**Audit Director**

✉ [cgrant@audit-scotland.gov.uk](mailto:cgrant@audit-scotland.gov.uk) ☎ 0131 625 1917

Carole is the appointed independent auditor established under the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice and guided by the auditing profession's ethical guidance.

She has 20 years public sector audit experience working across all sectors.

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**Rachel Browne CPFA**

**Senior Audit Manager**

✉ [rbrowne@audit-scotland.gov.uk](mailto:rbrowne@audit-scotland.gov.uk) ☎ 0131 625 1976

Rachel will continue to have overall control of the delivery and quality of the audit including audit engagement and ensuring the audit is properly planned, resourced and concluded within time.

She has over 20 years of experience in public sector audit across the local government, health and central government sectors. Prior to that she worked in the voluntary sector for 5 years.

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**Mary O'Connor CPFA**

**Senior Auditor**

✉ [moconnor@audit-scotland.gov.uk](mailto:moconnor@audit-scotland.gov.uk) ☎ 0131 625 1784

Mary will lead the audit team and will be the main contact for the audit.

She has more than 27 years of experience in public sector audit across the local government, health and central government sectors. This includes time working on performance audits.

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# Angus Integration Joint Board

## Annual Audit Plan 2020/21

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](mailto:info@audit-scotland.gov.uk)

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