

# Clackmannanshire and Stirling Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

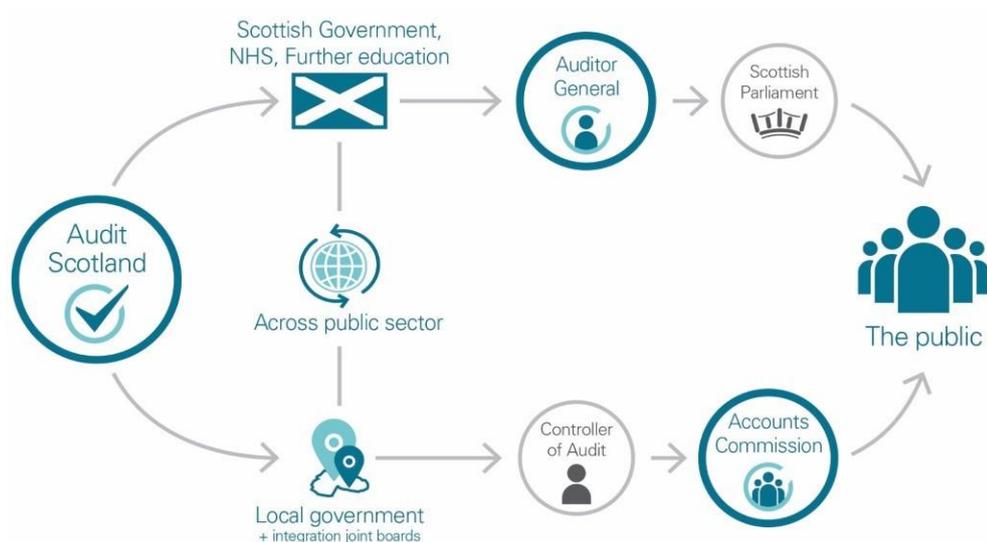
Prepared for Clackmannanshire and Stirling Integration Joint Board

March 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.
- 2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
- 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. Public services have been drastically affected, requiring immediate changes to the way they are provided. 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 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. Audit Scotland views 2020/21 as another challenging year and in January 2021 published [Covid-19: What it means for public audit in Scotland – update](#) which restates the key principles for our response to Covid-19. It also provided an update on the financial and performance audit programmes. 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. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value

- 5.** We aim to add value to the Clackmannanshire and Stirling Integration Joint Board 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 Clackmannanshire and Stirling Integration Joint Board 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 risk for Clackmannanshire and Stirling 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

### 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 fraud caused by the 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 the risk of fraud due to the management override of controls.</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"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<p><b>2 Risk of material misstatement in the management commentary</b></p> <p>In our 2019/20 annual audit report we highlighted that the structure and content of the management commentary could be improved and that there is a risk that the information within the management commentary does not accurately capture the performance and financial information.</p> <p>Management agreed to review their approach to preparation of the management commentary. A full set of accounts has not yet been prepared under these new arrangements, and therefore the risk of material misstatement remains.</p> <p>Additionally, the impact of COVID-19 may reduce the availability of timely and reliable performance data and may compromise the content and accuracy of the management commentary.</p>	<p>The structure and content of the management commentary will be reviewed for 2020/21 accounts taking due account of any updated guidance from LASAAC particularly in relation to reporting of COVID-19 related items.</p> <p>As far as possible the exceptional Covid-19 impacts will be reported aligned to the Local Mobilisation Plan (LMP) though the impact on comparability with previous years is acknowledged and will be a challenge.</p>	<ul style="list-style-type: none"> <li>• Review of 2020/21 management commentary, with a focus on the financial and performance information.</li> </ul>
<b>Wider dimension risks</b>		
<p><b>3 Financial sustainability</b></p> <p>The IJB has identified longer term financial challenges in previous years arising from cost and demand pressures and developed a savings plan in response.</p> <p>The Covid-19 pandemic has disrupted these savings plans, with more than 50% of the planned £4.853 million savings for 2020/21 being assessed as “at risk”. The IJB estimates that £14.687 million of</p>	<p>The IJB and IJB Finance and Performance Committee received regular financial reports.</p>	<ul style="list-style-type: none"> <li>• Review and assess year-end position and the progress and impact in delivering savings.</li> <li>• Review and consider the medium-term financial plan and mobilisation plan.</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
	<p>expenditure has been incurred as a result of its Covid-19 response, much of which has been funded by the Scottish Government.</p> <p>Looking forward Clackmannanshire and Stirling Integration Joint Board's ability to respond to longer term financial challenges has been disrupted by the COVID-19 pandemic. As a result, there is a continued risk to financial sustainability and the sustainability of services in future.</p>		
<b>4</b>	<p><b>Performance</b></p> <p>In 2020/21, the national response to the COVID-19 pandemic has significantly affected Clackmannanshire and Stirling Integration Joint Board's normal service provision.</p> <p>The continuing pressures of the pandemic, both operational and financial, result in a risk that Clackmannanshire and Stirling Integration Joint Board's will not be able to meet the performance expectations of its stakeholders.</p> <p>The pandemic may have also disrupted the IJB's ability to monitor its performance.</p>	<p>The IJB and IJB Finance and Performance Committee receive regular performance reports.</p>	<ul style="list-style-type: none"> <li>• Review of progress in achieving targets, understanding the impact of COVID-19 on non-financial performance and the actions being taken to manage performance.</li> <li>• Review of the arrangements to collate performance data.</li> </ul>

Source: Audit Scotland

**7.** As set out in ISA(UK) 240, there is a presumed significant risk of material misstatement due to fraud in revenue recognition. We have rebutted this presumed risk in 2020/21 because, while the possibility of fraud exists, we do not judge the risk to be significant as almost all transactions are processed at partner bodies.

**8.** In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is also presumed to exist for expenditure. Due to the nature of Clackmannanshire and Stirling IJB's expenditure, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2020/21.

## Reporting arrangements

**9.** 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](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 management reports will be issued to the relevant officers to confirm factual accuracy.

**11.** We will provide an independent auditor's report to Clackmannanshire and Stirling Integration Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable 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

### 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31 April 2021	11 March 2021
Independent Auditor's Report	31 October 2021	TBC
Annual Audit Report	31 October 2021	TBC

Source: Audit Scotland

### Audit fee

**12.** The proposed audit fee for the 2020/21 audit of Clackmannanshire and Stirling Integration Joint Board is £27,330 (2019/20: £26,560). In determining the audit fee we have taken account of the risk exposure of Clackmannanshire and Stirling Integration Joint Board, 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 prior to the start of our audit work on the accounts.

**13.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, 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 & Risk Committee and Accountable Officer

**14.** 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.

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

#### Appointed auditor

**16.** 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.

**17.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual. 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

**18.** 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 Clackmannanshire and Stirling Integration Joint Board 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 Clackmannanshire and Stirling 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.

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

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the of the state of affairs of the IJB as at 31 March 2021 and its 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;
- 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

**20.** 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.

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

## Materiality

**22.** 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.

**23.** We assess materiality at different levels as described below. The materiality values for planning purposes for the 2020/21 audit of Clackmannanshire and Stirling Integration Joint Board are set out in [Exhibit 3](#). We will reconsider materiality upon receipt of the 2020/21 accounts for audit.

### 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 for the year ended 31 March 2021 based on the latest 2019/20 audited accounts.	£2.000 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 60% of planning materiality.	£1.200 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.	£0.100 million

Source: Audit Scotland

### 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 4](#).

### Exhibit 4 Audit dimensions



Source: Code of Audit Practice

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

### Financial sustainability

**26.** 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

### Financial management

**27.** 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 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.

**28.** As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

### 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
- 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.

**30.** Again, as part of our work this year we will assess these arrangements in light of the impact of the COVID-19 pandemic.

### Value for money

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

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered.
- that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

## Best Value

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

## 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) is John Cornett, 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 Clackmannanshire and Stirling Integration Joint Board.

## Quality control

**35.** 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.

**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.

# Clackmannanshire and Stirling 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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