

East Dunbartonshire Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

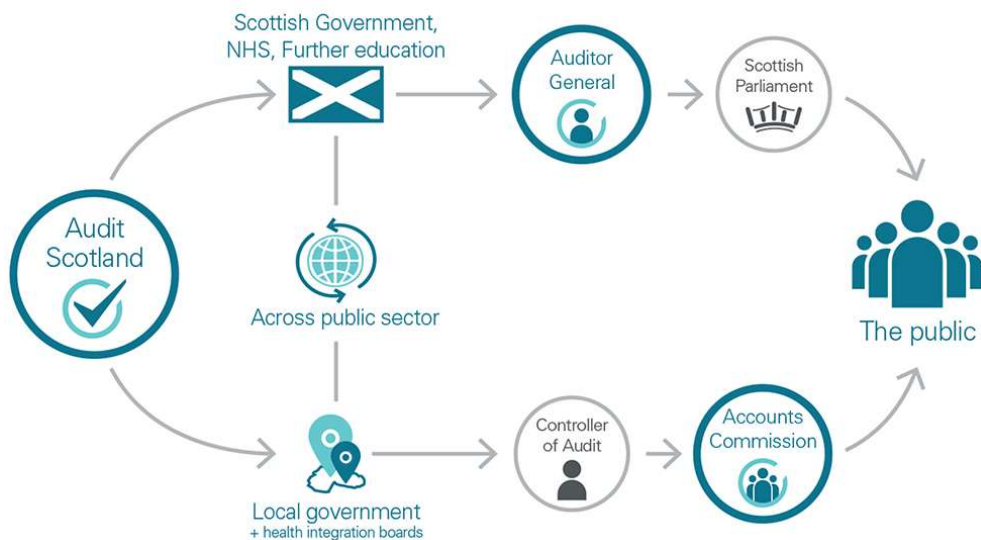
Prepared for East Dunbartonshire Integration Joint Board
March 2021



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

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.

Impact of Covid-19

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.

5. Audit Scotland is unable to meet the audit timetables which were possible before Covid-19, but we will aim to conclude the audit as early as possible. 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, revisions to this annual audit plan may be necessary.

Adding value

6. 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.

Extension of audit appointment


7. Auditors appointed under statute by the Auditor General for Scotland are engaged for a five-year period. The current audit engagement was due to end after the conclusion of the 2020/21 audit. Normally at the end of each five-year period a new auditor is appointed, either Audit Scotland or a private sector accountancy firm. Covid-19 had an impact on the 2019/20 audits of public sector bodies and the vast majority of these audits were reported later than normal. Planning for and potentially reporting of 2020/21 annual audit work is also being affected. In October


2020 Audit Scotland approved the extension of current audit appointments for a year to include the 2021/22 audit year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary audit procurement exercise during the pandemic.


Audit risks


8. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for East Dunbartonshire 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
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</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>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<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.
<p>2 Risk of material misstatement caused by fraud in revenue recognition.</p> <p>As set out in ISA (UK)240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements.</p> <p>In previous years, the unaudited accounts have included the use of direct reserves accounting, which is not permitted, meaning the income of the IJB has been understated on the face of the Comprehensive Income & Expenditure Statement (CIES). Whilst this has been amended in the final, audited accounts, there is a risk that the 2020/21 income in the CIES will be misstated.</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 (EDC) over the accuracy, completeness and allocation of the Integration Joint Board ledger entries recorded in the correct financial year.
<p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</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,

 Audit Risk	Source of assurance	Planned audit work
<p>There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>As the expenditure of the IJB 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>		<p>completeness and allocation of the Integration Joint Board ledger entries recorded in the correct financial year.</p>
<p>4 Estimations and judgements</p> <p>The “set aside” figure in the accounts 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>From 2019/20, the set aside now calculated using actual spend and activity levels for the year where the information is available and estimated annual activity where it is not. Any degree of estimation requiring judgement in a material figure, such as the set aside, presents a risk of misstatement in the accounts.</p>	<ul style="list-style-type: none"> The set aside figure in the 2020/21 accounts will be based on the most accurate information available, including robust and reliable estimates in the absence of actual activity data. 	<ul style="list-style-type: none"> Review the calculation of the set aside figure in the 2020/21 accounts, including the basis for any estimated activity Monitor Scottish Government guidance of the treatment of set aside in the 2020/21 accounts to establish whether the financial statements are compliant
<p>Wider dimension risks</p>		
<p>5 Financial sustainability</p> <p>The general reserves at 31 March 2020 for the IJB was £nil, meaning there were no contingency reserves for balancing the 2020/21 budget. Per the latest budget monitoring report, the IJB had forecast a £0.8m overspend. This includes £3.8m of expenditure relating to Covid-19 response which Scottish Government has yet to commit to fund fully.</p> <p>The Covid-19 pandemic will have a significant impact on the future financial plans of the IJB. In addition, there are currently no longer-term financial plans in place to demonstrate how the IJB will secure the financial sustainability of its services in the future therefore there is a risk to the financial sustainability of health and social care services.</p>	<ul style="list-style-type: none"> Scottish Government have now confirmed and allocated full funding to support Covid costs identified through the LMP / FPR return for East Dunbartonshire. The latest revenue monitoring report will report an underspend on budget of £3.7m. The intent will be to carry this forward to create a general reserve for the HSCP into future years when finalised at year end. We will develop and bring forward a medium-term financial plan for the HSCP in 2021/22 when the response to Covid abates and the immediate and medium- 	<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 Monitor claims submitted to the Scottish Government and the approval and receipt of additional Covid-19 costs.

 Audit Risk	Source of assurance	Planned audit work
	<p>term impact on the financial position of the HSCP can be assessed.</p> <ul style="list-style-type: none"> Continue engagement with partners to ensure a fair budget settlement for 2021/22, to be approved by Council on 24th March and we await formal letter outlining the NHS offer Covid funding through the Scottish Government to continue into 2021/22 to cover any ongoing cost related to the Covid response. 	
<p>6 Service pressures created by Covid-19</p> <p>The Covid-19 pandemic continues to place significant pressure on the provision of health and social care services delivered by the IJB. The Strategic Plan 2018-21 was due to expire in March 2021, however due to ongoing response to Covid-19, this has been delayed. Instead a Strategic Bridging Document 2021-22 has been approved by the Board, which continues the existing Strategic priorities to March 2022.</p> <p>Given the ongoing resourcing pressures cause by the pandemic, there is a risk that this will impact on the IJB's ability to meet its objectives within the current strategic plan.</p>	<ul style="list-style-type: none"> HSCP will continue to monitor performance and provide regular reporting to the IJB Board on delivery of strategic objectives. Re-mobilisation plans in place to ensure effective recovery of services in line with strategic priorities. Transformation work continues to identify and deliver strategic priorities and mitigate financial challenges. 	<ul style="list-style-type: none"> Review progress against strategic objectives reported within the IJB's 2020/21 Annual Performance Report Review quarterly performance reports to assess the impact of Covid-19 performance targets.
<p>7 Governance and transparency</p> <p>As a result of social distancing measures in place, the IJB Board and Performance, Audit and Risk (PAR) Committee meetings are currently being held remotely online and live streamed on YouTube. A decision was taken to only present papers at these meetings that require approval or decision by the Committee, however papers are not available on the HSCP or EDC websites prior to the meeting taking place. Furthermore, the IJB papers/minutes have not been uploaded to the EDC website since September 2020, and the PAR Committee minutes have not been uploaded to the HSCP website since September 2020.</p>	<ul style="list-style-type: none"> Arrangements for ensuring openness and transparency are under regular review in line with priorities during the Covid-19 response. We will liaise with Council officers on the arrangements for public access to IJB Board meetings online and publications of IJB papers online prior to meetings taking place. Make arrangements to ensure IJB Board and PAR papers appear timeously on the HSCP 	<ul style="list-style-type: none"> Review revised governance arrangements in place as a result of Covid-19 to ensure they promote openness and transparency.

	Audit Risk	Source of assurance	Planned audit work
	There is a risk that IJB Board and PAR Committee meetings are not sufficiently open and transparent, as committee papers and details of meetings are not readily available to the public.	website in line with accessibility legislation and policy.	

Source: Audit Scotland

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](#) overleaf, and any other outputs on matters of public interest will be published on our website: 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 officer(s) to confirm factual accuracy.

11. We will provide an independent auditor's report to East Dunbartonshire IJB 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 2020/21 Audit outputs

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

The target dates included are those specified in Audit Scotland's Planning Guidance 2020/21

Audit fee

12. The proposed audit fee for the 2020/21 audit of East Dunbartonshire Integration Joint Board 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 21 June 2021.

13. 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

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 Performance, Audit and 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 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

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 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.

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 state of affairs of the Board as at 31 March 2021 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 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 2003.

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 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

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



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 budget for 2021.	£1.851 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£0.925 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.	£19 thousand



Source: Audit Scotland

Timetable

24. 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	21 June
Latest date for final clearance meeting with Chief Finance & Resources Officer	TBC
Issue of Letter of Representation and proposed independent auditor's report	31 October
Agreement of audited unsigned annual report and accounts	31 October
Independent auditor's report signed	TBC
Issue of Annual Audit Report to those charged with governance	TBC

25. The 2020/21 audit planning guidance sets sign-off deadlines for all local government audits of the end of October 2021. However, the achievement of these sign-off dates will be dependent upon resource availability and pressures throughout 2021. If issues arise during the course of the audit (i.e. impact of Covid-19 on the production or audit of accounts) that mean it is not practical to certify the accounts by the end of October then we will communicate this to the IJB at the earliest opportunity available and agree a revised timetable for the completion of the audit. Likewise, if audit resources would enable an earlier sign-off of the

2020/21 annual report and accounts this will also be discussed and agreed with the IJB.

Internal audit

26. Internal audit is provided by 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

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. 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.

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

- Social work charging
- Use of Directions
- Carefirst data controls
- Financial planning

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](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

30. 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

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 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

32. 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.

Governance and transparency

33. 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.

EU withdrawal

34. The United Kingdom's transition period for leaving the European Union ended on 31 December 2020. We will continue to monitor the steps taken by the Joint Board to minimise any disruption caused by EU withdrawal.

Value for money

35. 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

36. 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

37. 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.

38. 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 Fiona Mitchell-Knight 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

39. 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.

40. 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.

41. 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.

East Dunbartonshire Integration Joint Board

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