

Renfrewshire Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for Renfrewshire Integration Joint Board

April 2021

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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 Audit Scotland's 2020/21 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.
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 restated 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 Renfrewshire Integration Joint Board (RIJB) 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 RIJB 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 board and committee meetings and a review of supporting information, we have identified the following significant risks for RIJB. 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	Management's source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to management override of controls</p> <p>International Standard on Auditing 240 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 to change the position disclosed in the 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"> Gain written assurance from partner bodies' auditors over journal entries and testing the completeness, accuracy and allocation of income and expenditure. Perform testing on transactions processed locally by RIJB. Evaluation of significant transactions that are outside the normal course of business. Review of significant accounting estimates and judgements.
<p>2 Impact of additional funding due to Covid-19 on the financial statements</p> <p>The Covid-19 pandemic has resulted in significant financial pressures for RIJB. The Scottish and UK governments have announced a range of additional funding streams to support frontline services and help the organisation manage the financial pressures caused by Covid-19.</p> <p>This has also resulted in an associated increase in expenditure with some new expenditure streams. Total additional funding in 2020/21 for RIJB is expected to be in the region of £21.7 million. This additional income and expenditure includes a mixture of principle and agency transactions which are subject to different accounting considerations in the preparation of the financial statements.</p> <p>RIJB should ensure that any funding carried forward and recognised in the reserves balance does not include funding where they would be considered to be acting as the 'agent'.</p>	<p>Internal audit issued a report on IJB Sustainability Payments and this did not result in any recommendations. The report reviewed details of all guidance received and correspondence issued to external providers.</p> <p>Copies of the Local Mobilisation Plan (LMP) for Renfrewshire were submitted to NHSGGC for inclusion in the submission to the Scottish Government. This included details of all costs, approval tracker and links to supporting documentation.</p> <p>Details and correspondence received from the Scottish Government regarding balances allocated and their treatment are reviewed, including LASAAC guidance on the annual accounts.</p>	<ul style="list-style-type: none"> Assess how RIJB has processed and controlled the additional funding and associated expenditure. Assess how the additional funding and associated expenditure impacts on the financial statements. Review the annual accounts and consider how the additional funding and associated expenditure has been reported.

Wider dimension risks

 Audit Risk	Management's source of assurance	Planned audit work
<p>3 Financial sustainability</p> <p>RIJB is facing a number of financial pressures including pay inflation, increases in prescribing costs and increasing service demand. Covid-19 has also had a significant impact which is expected to continue into the coming years. Covid-19 caused delays to NHS Greater Glasgow and Clyde's budget process which resulted in the delegated health budget not being formalised until late 2020.</p> <p>The Financial Outlook 2021/22 paper presented at the November 2020 board meeting highlighted a funding gap of £47 million to £69 million between 2021/22 and 2025/26 if no additional funding is received or no mitigating actions are taken.</p> <p>The Recovery and Renewal paper presented to the November 2020 board meeting advised that agreed savings proposals for 2020/21 had been postponed at the start of the pandemic with £1.178 million of unachieved savings included in Covid-19 financial impact estimates. Transformational change activity was also paused in March 2020 and is not expected to deliver any savings in 2021/22.</p>	<p>The budget and savings plans for 2021/22 were approved by the IJB on 26 March 2021. This included savings outwith the Transformational activity previously approved by the IJB.</p> <p>Formal confirmation from Renfrewshire Council and NHSGGC regarding the full details of the proposed delegated budget for 2021/22 were included within the budget report for approval.</p> <p><i>Medium Term Financial Plan</i> approved by the IJB in September 2019.</p> <p>Budget updates to the IJB in March 2021, for the FY 2021/22 identified plans to achieve savings on a recurring basis and also highlighted likely future savings challenges. The Chief Officer and Chief Finance Officer will continue to work with IJB members and other professional leads to agree a comprehensive risk assessed approach to develop viable saving proposals which minimise impact on service users' outcomes for 2022/23 onwards.</p> <p>Budget monitoring is a standing report on each IJB agenda, providing an overview of the current financial year. In addition, the annual accounts provide details of the final outturn position.</p> <p>Development sessions and briefings to IJB members are provided throughout the year as required.</p>	<p>We will review and assess:</p> <ul style="list-style-type: none"> Financial reports and papers such as budget monitoring reports, the 2021/22 budget, financial plans, savings plans and financial outlook papers. Assumptions and judgements in financial reports and papers for reasonableness.

Source: Audit Scotland

7. As set out in ISA(UK) 240, there is a presumed risk of fraud in revenue recognition which is extended to expenditure by Practice Note 10. There is a risk

that income or expenditure may be fraudulently misstated resulting in a material misstatement in the financial statements. We do not consider these to be significant risks for RIJB as there are limited opportunities to manipulate the way income or expenditure are recognised in the financial statements and have therefore rebutted these risks.

Reporting arrangements

8. Audit reporting is the visible output for the annual audit. All 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.

9. Matters arising from our audit will be reported on a timely basis and will include agreed action plans.

10. We will provide an independent auditor's report to RIJB and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Chief Finance Officer and the Accounts Commission with an Annual Audit Report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

11. As outlined in paragraph 4, Audit Scotland views 2020/21 as being another challenging year. The statutory deadline for certifying the annual accounts has been pushed back to 30 November 2021. There is still considerable uncertainty around the impact of Covid-19 and therefore, our approach where necessary will be flexible. Whilst we will do our best to deliver the audit in a timely manner, we are unable to make any definitive commitments to meeting the statutory deadlines at this early stage of the audit. We will continue our ongoing and regular dialogue with finance staff to ensure they, and we, remain sighted on these challenges

Exhibit 2 2020/21 Audit outputs

Audit Output	Target date	Audit, Risk and Scrutiny Committee Date
Annual Audit Plan	30 April 2021	N/A
Independent Auditor's Report	31 October 2021	<i>Provisionally 12 November subject to caveats in para 11 above.</i>
Annual Audit Report	31 October 2021	<i>Provisionally 12 November subject to caveats in para 11 above.</i>

Source: Audit Scotland

Audit fee

12. The agreed audit fee for the 2020/21 audit of RIJB is £27,330 (2019/20: £26,560). In determining the audit fee, we have taken account of the risk exposure of RIJB and the planned management assurances in place. Our audit approach assumes receipt of the unaudited annual accounts, with the requested working papers, on 28 June 2021.

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 and Scrutiny Committee and Chief Finance 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 and Scrutiny Committee, as those charged with governance, of their responsibilities.

Appointed auditor

16. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, 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 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 RIJB 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 RIJB 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; and
- gaining written assurance over operations of the partner bodies (Renfrewshire Council and NHSGGC) through the work done by the respective audit teams.

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 RIJB 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 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 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. The materiality values for RIJB are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the figure we use to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.25% of gross expenditure for the year ended 31 March 2021 based on the latest audited accounts for 2019/20.	£3.9 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 set performance materiality at 75% of planning materiality.	£2.9 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 set at 5% of planning materiality.	£0.2 million

Source: Audit Scotland

Internal audit

24. Internal audit is provided by the Chief Internal Auditor for Renfrewshire Council. As part of the 2019/20 audit, the Renfrewshire Council audit team carried out a review of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). They concluded that the internal audit function complies with PSIAS and appropriate documentation standards and reporting procedures were in place. In 2020/21, the Renfrewshire Council audit team carried out a review in accordance with the requirements of ISA 315 which confirmed there were no changes that would impact on this conclusion.

25. We will report any significant findings to management on a timely basis.

Using the work of internal audit

26. International Auditing Standards require internal and external auditors to work closely together, where possible, to make best use of available audit resources. We do not plan to use the work of internal audit for our financial statements audit work. However, we have considered the findings of internal audit's work as part of our planning process and will also consider reports published over the course of the audit.

Audit dimensions

27. 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

28. 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

29. 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; and
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

30. 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 RIJB has assured itself that its financial capacity and skills are appropriate; and
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

31. 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

32. 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 RIJB 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; and
- the quality and timeliness of financial and performance reporting.

33. 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.

Value for money

34. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether RIJB 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; and
- there is sufficient focus on improvement and the pace of it.

Best Value

35. 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

36. 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.

37. The engagement lead (i.e. appointed auditor) for RIJB 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 RIJB.

Quality control

38. 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.

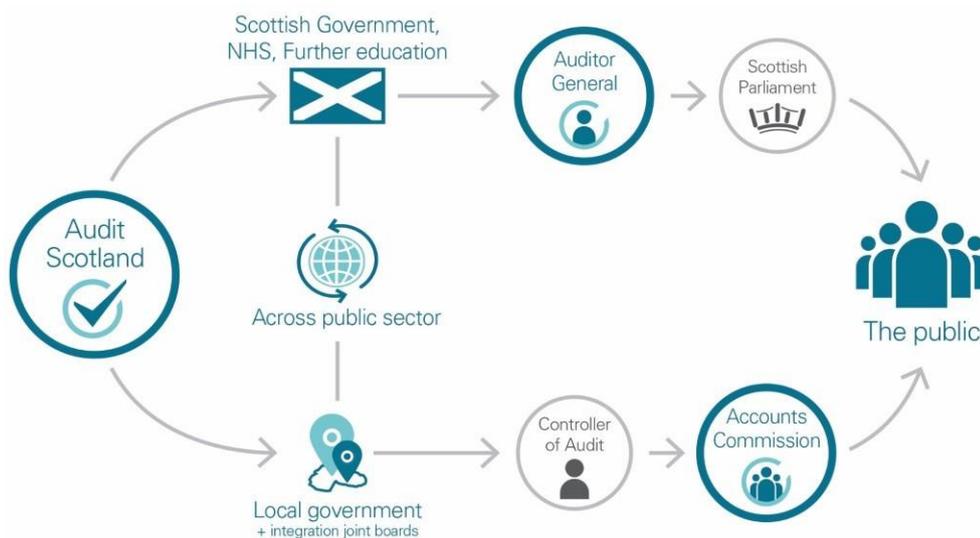
39. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General and the Accounts Commission. 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.

40. 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.

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.

Renfrewshire Integration Joint Board

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