

South Lanarkshire Integration Joint Board

Audit Plan 2020/21



 AUDIT SCOTLAND

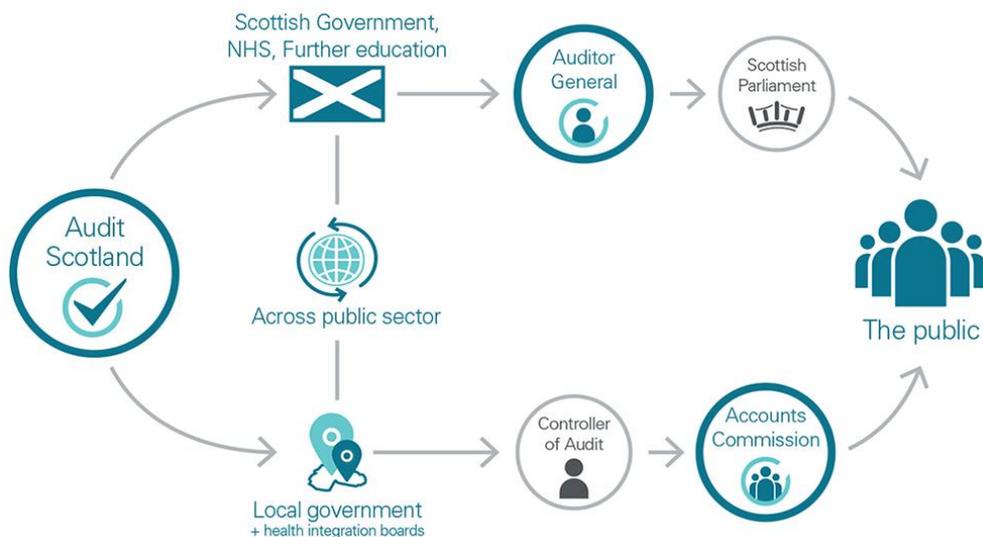
Prepared for South Lanarkshire Integration Joint Board

February 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 a 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

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

Introduction

1. This audit plan provides an overview of the planned scope and timing of our audit of the South Lanarkshire Integration Joint Board for 2020/21. Our audit is carried out in accordance with International Standards on Auditing and Audit Scotland's [Code of Audit Practice](#).
2. The plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit [exhibit 5](#). We make a public report of conclusions on these matters in our annual audit report to the Joint Board and the Controller of Audit.
3. Our plan assumes that the annual report and accounts will be completed by 30 September 2021. We have included delivery timetables at [exhibits 2](#) and [4](#). While we will endeavour to meet the delivery timetables, if circumstances arise which necessitates a later completion date we will liaise with management to agree an alternative timetable.

Impact of COVID-19 on public audit

4. The Auditor General 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 accounts audits and the programme of performance audits. Audit timetables which were possible before Covid-19, cannot be achieved in 2020/21. The safety of audit teams and client staff and the delivery of high-quality audits remain paramount.
5. 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. A January 2021 update paper from Audit Scotland, [Covid-19 What it Means for Public Audit](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.

Adding value

6. We seek to add value to the Joint Board by identifying areas of improvement and recommending and encouraging good practice on financial sustainability, governance, risk management and performance. In so doing, we aim to help the organisation promote improved standards, better management and decision making, and more effective use of resources

Audit risks

7. Based on our experience of the organisation, discussions with staff, attendance at board and committee meetings and a review of supporting information we have identified the key audit risks, [exhibit 1](#). We have categorised these risks into financial statements risks and wider dimension risks.

Exhibit 1

2020/21 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risk		
<p>1 Risk of management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of 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 appropriate. 	<ul style="list-style-type: none"> Assurances will be obtained from the auditors of NHS Lanarkshire and South Lanarkshire Council over the completeness, accuracy and allocation of income and expenditure.
<p>2 Risk of expenditure fraud</p> <p>Audit Scotland's Code of Audit Practice requires that auditors should plan to address the risk that the financial statements may be materially misstated as a result of fraud.</p> <p>Expenditure on Family Health Services, (which includes General Medical, Dental, Pharmacy and Ophthalmic services) are at risk of fraudulent claims from practitioners.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not appropriate. 	<ul style="list-style-type: none"> Assurances will be obtained from the auditors of NHS Lanarkshire in relation to fraud and over the accuracy, completeness, and appropriate allocation of the Integration Joint Board ledger entries.
<p>3 Hospital acute services (set aside)</p> <p>The "set aside" budget is the Integration Joint Board's share of the budget for delegated acute services provided by large hospitals on behalf of the Joint Board.</p> <p>As in previous years, the budget and actual expenditure reported for the "set aside" were equal in 2019/20: the amount set aside, was based on 2017/18 activity levels as provided by NHS National Services Scotland's Information Services Division, updated for 2019/20 costs.</p> <p>The historic nature of the activity data used to determine actual costs means that variances from budgeted cost are not known until two years later. Actual cost data is now available for the early years of the Joint Board. This shows that costs were greater than budget by £0.752 million in 2016/17 and £2.510 million in 2017/18.</p>	<ul style="list-style-type: none"> The Joint Board is working with NHS Lanarkshire to agree an appropriate mechanism for determining set-aside for 2020/21 and discussions are underway to consider how under/overspends can be managed going forward. The Chief Financial Officer will liaise with the Scottish Government and peers to inform discussions on how set-aside variations should be managed. 	<ul style="list-style-type: none"> Establish what plans are in place to manage variations in set-aside expenditure. Review Scottish Government guidance on the treatment of set aside in the 2020/21 financial statements to establish whether the financial statements are compliant.

	Audit Risk	Source of assurance	Planned audit work
	<p>Risk</p> <p>There is a risk that the income and expenditure of the Joint Board is misstated due to the estimation required for set-aside and that any action taken to address overspends may impact the financial position of the Joint Board. Covid-19 is likely to have impacted activity levels in 2019/20 and 2020/21, thereby further increasing the risk of a material misstatement of set-aside costs in these years.</p>		
4	<p>Sustainability of financial management capacity</p> <p>The Chief Financial Officer (CFO) is shared between South and North Lanarkshire Joint Boards on a 50/50 basis. In 2019/20 we reported that time and resource pressures on the CFO have the potential to impact on reporting arrangements and the ability to respond to emerging issues and risks. We are advised that a review of the CFO capacity did commence in 2020, however, due to the impact of Covid-19 disruption it has not yet been completed.</p> <p>Risk</p> <p>There is a risk of interruption to services and processes, including the preparation of the annual accounts, if the CFO is unable to fulfil her role.</p>	<ul style="list-style-type: none"> A range of options are being developed in consultation with South Lanarkshire Council, NHS Lanarkshire and North Lanarkshire Council. These options will consider recommendation 2(v) of the report by the Ministerial Strategic Group for Health and Community Care on the Review of Progress with Integration of Health and Social Care (February 2019) to ensure the model of financial support reflects emerging best practice across Health and Social Care Partnerships and provides appropriate support for the management of the integrated budgets by the Health and Social Care Management Team. This will also ensure the financial management capacity of the CFO post is sustainable. 	<ul style="list-style-type: none"> Review of the arrangements in place to provide support, absence cover and succession planning for the role of Chief Financial Officer.
Wider dimension risks			
5	<p>Financial sustainability</p> <p>The Joint Board approved its long-term financial plan covering the period 2020/21 to 2029/30 in June 2020. The plan covers the expected key areas including: the national and local context; reserves strategy; financial sustainability; key risks and</p>	<ul style="list-style-type: none"> Going concern assurance received from Chief Financial Officer of the IJB. Scottish Government funding for 2020/21 is anticipated to fully 	<ul style="list-style-type: none"> Review the revised long-term financial plan and report progress in Annual Audit Report.

	Audit Risk	Source of assurance	Planned audit work
	<p>uncertainties as well as elements of scenario planning to predict the impact of deviations from planning assumptions.</p> <p>Risk</p> <p>Covid-19 disruption will adversely impact the financial plans of the Joint Board and the financial sustainability of health and social care services.</p>	<p>cover the projected additional Covid-19 costs, and loss of income, to the IJB.</p> <ul style="list-style-type: none"> A revised long-term financial plan will be prepared to reflect the impact of Covid-19. 	
6	<p>Services 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 Joint Board.</p> <p>Risk</p> <p>Covid-19 pressures will impact on the Joint Board's ability to meet its objectives within the 2019-2022 Strategic Plan.</p>	<ul style="list-style-type: none"> Regular monitoring and reporting to the Integration Joint Board on the progress against the strategic objectives and the directions to the partner bodies. Performance monitoring reports to the Performance and Audit committee. 	<ul style="list-style-type: none"> Review progress against strategic objectives reported within the Joint Board's 2020/21 Annual Performance Report. Review performance reports to assess the impact of Covid-19 on the Joint Board's performance targets.

Source: Audit Scotland

8. International auditing standards require that auditors plan for a presumed risk of fraud over income. We have considered this risk in respect of the Joint Board which is wholly funded by NHS Lanarkshire and South Lanarkshire Council. Taking account of controls in place, the nature of the Joint Board's income and the limited scope for the manipulation and extraction of income we assess that the risk of material misstatement arising from fraud over income is limited. This limitation is of such an extent that we have excluded the risk of fraud over income from our significant audit risks.

Reporting arrangements

9. This plan and outputs set out at [exhibit 2](#) will be published on our website: www.audit-scotland.gov.uk in due course.

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 prior to the issue and publication of final reports.

11. We will provide an independent auditor's report to the Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Board and the Controller of Audit with a 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 April 2021	16 March 2021
Independent Auditor's Report	31 October 2021	14 September 2021
Annual Audit Report	31 October 2021	14 September 2021

Source: Audit Scotland

Audit fee

12. The agreed audit fee for the 2020/21 audit of South Lanarkshire Integration Joint Board is £27,330 (£26,560 2019/20). In determining the audit fee, we have taken account of the risk exposure of the 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 by 30 June 2021.

13. In certain circumstances a supplementary fee may be levied, for example, in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

South Lanarkshire Integration Joint Board, Chief Officer and Chief Financial Officer

14. The Joint Board, Chief Officer and Chief Financial Officer are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

15. The audit of the annual accounts does not relieve management or the Joint Board 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 and guided by the Financial Reporting Council's Ethical Standard.

Audit scope and timing

Annual accounts

17. The audit of 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 South Lanarkshire 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 these will be included 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.

18. We will give an opinion on whether:

- the financial statements give a true and fair view of the state of affairs of the Joint Board as at 31 March 2021 and of the income and expenditure for the year then ended;
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom;
- whether the annual accounts have been prepared in accordance with relevant legislation.

Other information in the annual accounts

19. We also review and report on other information published as part of the annual accounts, including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether they have been prepared in accordance with the appropriate regulations and guidance.

20. We also review the content of the other information for consistency with the financial statements and with our knowledge of the Joint Board. We report any uncorrected material misstatements in other information.

Materiality

21. We apply the concept of materiality in planning and performing the audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements in forming our opinions in the independent auditor's report.

22. The calculated materiality levels for the Joint Board are set out in [exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

Exhibit 3

Materiality Levels

Planning materiality: This is the figure we use in assessing the overall impact of potential adjustments on the financial statements. It has been set at 1% of gross expenditure based on 2020/21 budgeted expenditure.	£5.696 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£3.418 million
Reporting threshold: 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 2% of planning materiality.	£0.114 million

Source: Audit Scotland

Timetable

23. The Accounts Commission expects the issue of Independent Auditor's Reports by the end of October 2021. In common with audited bodies we face resourcing challenges arising from the Covid-19 disruption. Our prime objective is to provide a high quality audit on a cost efficient basis while ensuring the safety of client and audit staff. We are planning to complete the audit and issue the Independent Auditor's Report, to synchronise with committee meeting dates within this timeframe. However, if it becomes apparent that we cannot achieve this, then our timetable may need to be amended. If this happens, we will communicate this to management at the earliest opportunity, with a view to agreeing a revised completion timetable.

24. Notwithstanding the foregoing, we include an agreed timetable at [exhibit 4](#), which takes into account submission requirements and planned Audit and Performance Committee meeting dates.

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Consideration of unaudited Annual Accounts by the Performance and Audit Committee	15 June 2021
Latest submission date of unaudited Annual Accounts and working papers	30 June 2021
Latest date for final clearance meeting with Chief Financial Officer	31 August 2021
Approval of audited Annual Accounts by the Performance and Audit Committee	14 September 2021
Issue of Independent Auditor's Report	14 September 2021
Issue of Annual Audit Report	14 September 2021

Source: Audit Scotland

Internal audit

25. 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 and as part of our planning process we carry out an assessment of the internal audit function at audited bodies.

Adequacy of internal audit

26. The Joint Board's internal audit function is provided jointly by the internal audit teams of NHS Lanarkshire and South Lanarkshire Council. We performed a formal review of the adequacy of internal audit in January 2021. In addition, the external auditors of the partners have completed assessments of their respective bodies. All assessments found that the internal audit services operate in accordance with Public Sector Internal Audit Standards and have sound documentation standards and reporting procedures in place.

Audit dimensions

27. Our standard audit is based on four audit dimensions that frame the wider scope of public sector audit, [exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

Best Value

28. Integration Joint Boards have a statutory duty to make arrangements to secure Best Value. We will review and report on these arrangements by reviewing the elements set out in the following paragraphs.

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 short, medium and longer term. We will review, conclude and report on:

- how the Joint Board has adapted its plans and arrangements to meet the challenges of Covid-19;

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability;
- the 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:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance information;
- whether financial capacity and skills are adequate;
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established;
- the arrangements in place to receive assurances that systems of internal control are operating effectively.

Governance and transparency

31. 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:

- how the Joint Board has adapted its arrangements in response to the Covid-19 disruption;
- whether governance arrangements are appropriate and operating effectively;
- whether there is effective scrutiny, challenge and transparency to decision-making and finance and performance reports;
- the quality and timeliness of financial and performance reporting.

Value for money

32. Value for money refers to using resources effectively and continually improving services. This has been a particular challenge in 2020/21 as the Joint Board has faced the various and diverse challenges presented by Covid-19. Taking account of these difficult circumstances, we will review, conclude and report on whether the Joint Board 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.

EU withdrawal

33. 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.

Independence and objectivity

34. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. 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.

35. The appointed auditor for South Lanarkshire Integration Joint Board is Fiona Mitchell-Knight. 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 South Lanarkshire Integration Joint Board.

Quality control

36. The International Standard on Quality Control 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.

37. 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 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 have been commissioned to carry out a programme of independent quality reviews.

38. 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 or directly to Audit Scotland’s Audit Quality and Appointments team.

South Lanarkshire Integration Joint Board

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