

West Dunbartonshire Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for West Dunbartonshire Integration Joint Board

25 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 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 on public audit

3. The public health crisis caused by the 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. A January 2021 paper, [Covid-19 What it Means for Public Audit An Update](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.

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 West Dunbartonshire Integration Joint Board (WDIJB) 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 WDIJB promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

7. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risk for WDIJB. 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

Significant audit risks for the 2020/21 audit

|  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>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</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"> Assurances will be obtained from the auditors of NHS Greater Glasgow and Clyde and West Dunbartonshire Council over the completeness, accuracy and allocation of the income and expenditure. Detailed testing of journal entries. Review of accounting estimates. |
| <p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure.</p> <p>As the expenditure of WDIJB is processed through the financial systems of NHS Greater Glasgow and Clyde and West 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> | <ul style="list-style-type: none"> Normal budget monitoring processes would establish and report the reasons for any unexpected fluctuations in expenditure during the year. A Covid-19 financial tracker is maintained to monitor the additional costs incurred by the IJB. | <ul style="list-style-type: none"> Assurances will be obtained from the auditors of NHS Greater Glasgow and Clyde and West Dunbartonshire Council over the accuracy, completeness and allocation of the Integration Joint Board ledger entries. |
| <p>3 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>Since 2019/20, the set aside is 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 IJB continue to work with NHS Greater Glasgow and Clyde and the other IJB’s in the Glasgow area to improve the operation of set aside and collection of activity data. 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. |

|  Audit Risk | Source of assurance | Planned audit work |
|--|--|---|
| Wider dimension risks | | |
| <p>4 Financial sustainability</p> <p>The Joint Board approved its medium-term financial plan covering the period 2020/21 to 2024/25 in March 2020.</p> <p>This set out anticipated income and expenditure for the next five years with indicative financial data to 2029/30. This projected budget gaps in each period to 2024/25 outlining best, likely and worst case scenarios.</p> <p>The Covid-19 pandemic will have a significant impact on the future financial plans of the IJB and presents a risk to the financial sustainability of health and social care services.</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 cover the projected additional Covid-19 costs, and loss of income, to the IJB. • A Covid-19 financial tracker is maintained to monitor the additional costs incurred and income received by the IJB. • Budget monitoring reports include details of the impact of Covid-19 on the projected outturn. • Contingency plans include the earmarking of specific reserves for Covid-19 driven demand and potential application of general reserves. • A revised medium-term financial plan is within the planned scope of work for the Chief Financial Officer and Heads of Service when there is more certainty around the financial impact of Covid-19 on health and social care services. | <ul style="list-style-type: none"> • Review of Chief Financial Officer's assessment of going concern for the 2020/21 accounts. • Monitor claims submitted to the Scottish Government and the approval and receipt of additional income for Covid-19 costs. • Review of Covid-19 financial tracker. • Review of budget monitoring reports and final outturn position. • Review of the IJB's year-end reserves position including the earmarking of reserves for Covid-19 driven demand. • Monitor progress in developing a revised medium-term financial plan to reflect the impact of Covid-19. |
| <p>5 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>There is risk that the pressures caused by the pandemic will impact on the Joint Board's ability to meet its objectives within 2019-2022 Strategic Plan.</p> | <ul style="list-style-type: none"> • Progress regularly reported to the Board against the objectives of the HSCP Covid-19 Recovery and Renewal Plan – "Keep Building Better – A Journey of Continuous Improvement" • Regular monitoring and reporting to the Audit and Performance Committee on the delivery of services | <ul style="list-style-type: none"> • Review progress against strategic objectives reported within WDIJB's 2020/21 Annual Performance Report. • Review quarterly performance reports to assess the impact of Covid-19 on the Joint Board's performance targets. • Monitor progress of Covid-19 recovery planning against the West |

|  | Audit Risk | Source of assurance | Planned audit work |
|---|--|---|--|
| | | and programme of work set out in the Strategic Plan. | Dunbartonshire HSCP Covid-19 Recovery and Renewal Plan approved by the Board in September 2020. |
| 6 | Risk management The Board's risk management policy and strategy was due to be reviewed on 1 April 2020 but has not yet been reviewed and updated. In addition, an annual review of the strategic risk register did not take place in 2020 as is required under the Integration Scheme. The most recent review was a mid-year review presented to the Board in February 2020. Without an up to date risk register, there is a risk that the Board's ability to take decisions to prioritise and manage risks appropriately is affected. | <ul style="list-style-type: none"> • HSCP Senior Management Team have developed a Covid-19 Risk Register of 65 key risks which continues to be monitored. • A full review of the Strategic Risk Register and Risk Management Policy and Strategy to account for the impact of the Covid-19 pandemic is planned for the end of March 2021. | <ul style="list-style-type: none"> • Review of the updated strategic risk register and the IJB's Covid-19 risk register. • Review updated risk management policy and strategy, once available. • Review the findings of Internal Audit's report on the IJB's risk management process. |
| 7 | Standing orders Standing orders are in place to regulate the procedures and business of the Joint Board. The current standing orders were last reviewed and updated in 2015. There is a risk that the existing standing orders do not reflect the current procedures of the Joint Board. | <ul style="list-style-type: none"> • An update to the Standing Orders is planned for 2021 after the revised Integration Scheme (together with the other 5 Glasgow IJBs) is presented to Scottish Ministers for approval. | <ul style="list-style-type: none"> • Review updated standing orders and confirm they accurately reflect the terms of the revised Integration Scheme. |

Source: Audit Scotland

8. International auditing standards require auditors to make a presumption of a risk of fraud in the recognition of income other than where there are circumstances that would allow this presumption to be rebutted. As the Joint Board is wholly funded by NHS Greater Glasgow and Clyde and West Dunbartonshire Council we have concluded that there is no risk of material misstatement caused by fraud over income recognition and have therefore rebutted this presumption. As a result, we do not plan to conduct audit procedures to address this risk.

Reporting arrangements

9. This audit plan, the outputs set out at [Exhibit 2](#), and any other outputs on matters of public interest will be published on Audit Scotland's 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 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 West Dunbartonshire Integration Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the IJB and the 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 |
|---|-----------------|
| Independent Auditor's Report (i.e. audit certificate) | 31 October 2021 |
| Annual Audit Report | 31 October 2021 |

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

Source: Audit Scotland

Audit fee

12. The agreed fee for the 2020/21 audit of West Dunbartonshire Integration Joint Board is £27,330 (£26,650 in 2019/20). This audit fee is in line with Audit Scotland's expected fee for all IJBs this year and represents a £770 (2.9%) increase on the 2019/20 audit fee.

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 and Performance Committee and Chief Financial Officer

14. Audited bodies are responsible 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. For West Dunbartonshire Integration Joint Board, the Chief Financial Officer is the proper officer (section 95 officer), with responsibility for the administration of financial affairs. The Joint Board has delegated responsibility for the oversight of internal and external audit to its Audit and Performance Committee.

15. The audit of the annual accounts does not relieve management or the Audit and Performance 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, 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 Joint Board to manage its performance and secure Best Value. 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 West Dunbartonshire Integration Joint Board and the associated risks which could impact on the financial statements
- assessing how weaknesses in the key systems of internal control could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how these will be reflected in the financial statements
- assessing the risks of material misstatement in the financial statements and 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 from material misstatement.

19. 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
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- the annual accounts have been prepared in accordance with relevant legislation.



characteristics



responsibilities



principal activities



risks



governance arrangements

Other information in the annual accounts

20. We also review and report on the 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 prepared in accordance with the appropriate regulations and guidance. We also read and consider the other information in the annual accounts and report any material inconsistencies with the financial statements or our own knowledge of the audit.

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. We calculate materiality at different levels as described below. The calculated materiality values for West Dunbartonshire Integration Joint Board are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

| Materiality | Amount |
|--|--------------|
| Planning materiality: This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts. | £3.2 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 70% of planning materiality. | £2.2 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 1.5% of planning materiality. | £50 thousand |

Source: Audit Scotland

Timetable

23. To support the efficient use of resources it is critical that a timetable is agreed with us for the production and audit of the annual accounts. The proposed timetable for the 2020/21 annual accounts is included at [Exhibit 4](#).

Exhibit 4

Annual accounts audit timetable

|  Key stage |  Date |
|---|--|
| Consideration of unaudited annual report and accounts by the Audit and Performance Committee / Board | 24 June 2021 |
| Latest submission date for unaudited annual report and accounts with complete working papers package | 30 June 2021 |
| Latest date for final clearance meeting with the Chief Financial Officer | To be agreed* |
| Issue of Letter of Representation and proposed independent auditor's report and Annual Audit Report | To be agreed* |
| Agreement of audited unsigned annual report and accounts | To be agreed* |
| Presentation of Annual Audit Report to those charged with governance | To be agreed* |
| Meeting of the Audit and Performance to approve the audited annual report and accounts for signature by the Chair of the Board, Chief Officer and Chief Financial Officer | To be agreed* |
| Independent auditor's report certified by appointed auditor | 31 October 2021 |

* See paragraph 24 below

Source: Audit Scotland

24. 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

25. International Auditing Standards require internal and external auditors to work together to make the 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 annual assessment of the internal audit function at audited bodies.

26. The Internal audit function for West Dunbartonshire Integration Joint Board is provided by West Dunbartonshire Council overseen by the Audit and Risk Manager. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

27. The Joint Board have agreed to place reliance on both the West Dunbartonshire Council and NHS Greater Glasgow and Clyde internal audit teams to follow up on audit action points. Only actions raised that are the specific responsibility of the Joint Board will be monitored. The Audit and Performance Committee receive update reports from Internal Audit on work undertaken at the council and health board that may impact the Joint Board's control environment.

Using the work of internal audit

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

- IJB Directions
- Risk Management Process.

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](#). Our contributions on the four dimensions will contribute to an overall assessment and assurance on best value.

Exhibit 5 Audit dimensions



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
- 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.

Financial sustainability

31. 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.

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 governance arrangements are appropriate and operating effectively
- the quality and timeliness of financial and performance reporting
- whether there is effective scrutiny, challenge and transparency of decision-making, and finance and performance reports.

Value for money

33. Value for money refers to using resources effectively and continually improving services. We will assess whether the Joint Board can provide evidence that it is demonstrating value for money in the use of resources, has a focus on improvement and that there is a clear link to the outcomes delivered.

34. In our 2019/20 Annual Audit Report we reported that there is evidence that the IJB is making progress in shifting the balance of care and improving services and outcomes for residents. We also highlighted that as the IJB continues to gather more data on care pathways and outcomes it is important to harness this information to drive further progress in shifting the balance of care.

35. Management recognise the importance of using care pathways and outcome data to better support strategic service and financial planning but the impact of Covid-19 on current and future service provision mean that it is not appropriate to take this forward during 2020/21. We accept this and will consider and report on progress against this recommendation as part of our audit activity from 2021/22 onwards.

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.

EU withdrawal

37. 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

38. 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.

39. The appointed auditor for West Dunbartonshire Integration Joint Board is Fiona Mitchell-Knight, 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 2020/21 audit of West Dunbartonshire Integration Joint Board.

Quality control

40. 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.

41. 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.

42. 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 appointed auditor or to Audit Scotland's Audit Quality and Appointments group.

West Dunbartonshire Integration Joint Board

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