

Angus Integration Joint Board

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

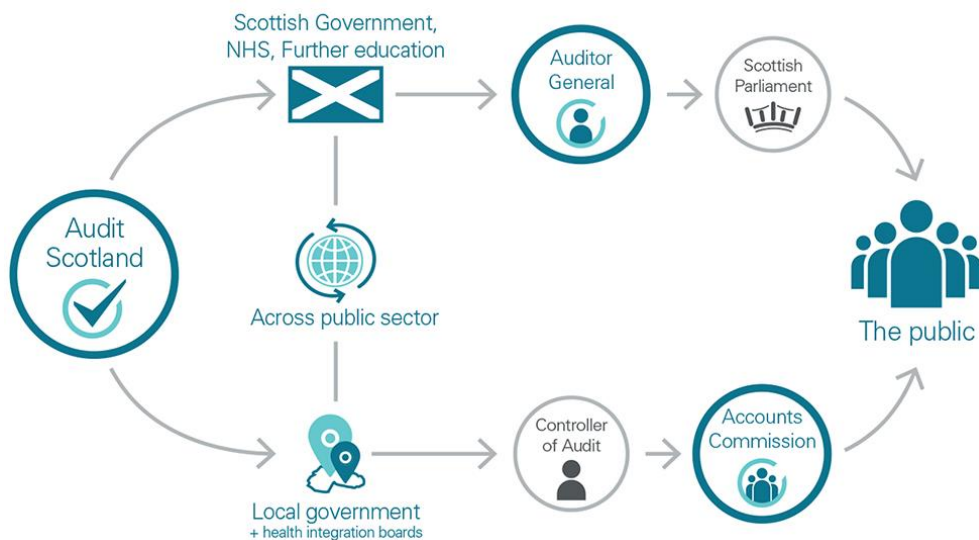
Prepared for Angus Integration Joint Board

December 2018

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 and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This 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 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.

Adding value


3. We aim to add value to the Angus Integration Joint Board (Angus 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 Angus Integration Joint Board promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


4. Based on our discussions with staff, attendance at audit committee meetings and a review of supporting information we have identified the following main risk areas for Angus Integration Joint Board. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of 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>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> Detailed testing of accounting entries. Service auditor assurances will be obtained from the auditors of Angus Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.
<p>2 Risk of fraud over expenditure</p> <p>The expenditure of the IJB is processed through the financial systems of Angus Council and NHS Tayside. There is a risk that non IJB</p>	<p>Robust budget monitoring.</p> <p>Assurances to be provided to the IJB by Angus Council and NHS Tayside on the completeness and</p>	<ul style="list-style-type: none"> Obtain service auditor assurances from the auditors of Angus Council and NHS Tayside over the accuracy and completeness

 Audit Risk	Source of assurance	Planned audit work
<p>related expenditure is incorrectly coded to the IJB account codes.</p>	<p>accuracy of transaction coded to IJB account codes.</p>	<p>and appropriate allocation of the IJB ledger entries.</p> <ul style="list-style-type: none"> Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.
<p>3 Financial Statements Preparation</p> <p>Preparation of the IJB financial statements relies on the provision of financial and non-financial information from the systems of the two partner bodies. The Chief Finance Officer of the IJB must obtain assurance that the costs transferred to the accounts of the IJB are complete and accurate and incurred on behalf of the IJB for services prescribed in the integration scheme. There is a risk that the Chief Finance Officer does not obtain adequate assurance that information received from each party is accurate and complete.</p>	<p>Strong working relationships with Angus Council and NHS Tayside.</p> <p>The integration scheme specifies the financial reporting responsibilities of both Angus Council and NHS Tayside.</p> <p>Monthly monitoring of financial information.</p> <p>Assurances provided through internal audit arrangements.</p> <p>Update on the latest position regarding the large hospital set aside.</p>	<ul style="list-style-type: none"> Review of the governance statement to ensure it adequately reflects the position of the IJB and compliance with the Code. Confirm appropriate action is taken on issues raised in internal audit reports. Confirm that financial reporting throughout the year is accurately reflected in the year end position. Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year. Obtain formal assurances from the auditors of Angus Council and NHS Tayside.
<p>4 Financial Performance</p> <p>The latest financial monitoring report from October 2018 reported a projected outturn of £165.8 million against a delegated budget of £166.2 million, a slight underspend of £0.4 million. However; there is a recurring overspend in relation to prescribing costs (£1.9 million reported in October (improved from £3.3 million at March 2018) and this continues to challenge the financial position of the IJB.</p>	<p>Finance Monitoring reports provided to IJB Board.</p> <p>From 2018/19 any overspends are required to be split between NHS Tayside and Angus Council in the proportions that funding is provided by these bodies.</p>	<ul style="list-style-type: none"> Confirmation of agreement of funding and balances with host bodies. Ensure budget monitoring is robust and accurately reflects the financial position.
<p>Wider dimension issues and risks</p>		
<p>5 Financial sustainability</p> <p>NHS Tayside and Angus Council face significant financial pressures from funding reductions and increasing demand.</p> <p>There is a risk that the IJB in partnership with NHS Tayside and Angus Council may not be able to identify sustainable savings measures or meet cost pressures as they arise.</p> <p>A key element of this is the long term (3-5 year) financial plan to ensure</p>	<p>Budget Settlement and Budget Update papers provided to IJB Board.</p>	<ul style="list-style-type: none"> Review progress made on meeting savings targets and dealing with cost pressures. Reviewing the long term financial plan and the assumptions made to ensure that they are reasonable.

 Audit Risk	Source of assurance	Planned audit work
<p>members of the board are aware of the cost pressures facing the IJB.</p>		
<p>6 Governance: Corporate Support Services</p> <p>Corporate support services are provided to the IJB by both Angus Council and NHS Tayside</p> <p>The level and quality of the support has been highlighted as being essential to support reporting and decision making within the IJB.</p> <p>The IJB have highlighted the provision of financial support as being a key risk to the delivery of the IJB objectives.</p>	<p>The Chief Finance Officer continues to work with both Angus Council and NHS Tayside to ensure required support is in place.</p>	<ul style="list-style-type: none"> • Monitor the IJB's management of this risk and the development of IJB governance and financial reporting.
<p>7 Partnership working and strategic planning</p> <p>The IJB is currently drafting its new Strategic Plan 2019-22. The IJB and its partner bodies need to work together to create a strategic plan with clearly stated priorities, with robust, sustainable financial plans, to deliver improved outcomes.</p>		<ul style="list-style-type: none"> • Review progress in strategic planning and partnership working to deliver change

Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

6. 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.

7. We will provide an independent auditor's report to Angus Integration Joint Board, and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2018/19 Audit outputs

Audit Output	Planning guidance target date	Committee Date
Annual Audit Plan	31 March 2019	12 December 2018
Annual Audit Report	30 September 2019	28 August 2019
Independent Auditor's Report	30 September 2019	28 August 2019

Audit fee

8. The proposed audit fee for the 2018/19 audit of Angus Integration Joint Board is £25,000 (2017/18 £24,000). In determining the audit fee, we have taken account of the risk exposure of Angus Integration Joint Board, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 28 June 2019.

9. 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 outwith our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

10. 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.

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

Appointed auditor

12. 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.

13. 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

14. 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 Angus 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 Angus Integration Joint Board will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

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

- give a true and fair view of the state of affairs of the board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2018/19 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 2013.

Other information in the annual accounts

16. We also review and report on 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.

17. 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

18. 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

19. We calculate materiality at different levels as described below. The calculated materiality values for Angus 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% of budgeted net expenditure for the year ended 31 March 2019 based on the latest finance report to the Integration Joint Board (October 2018).	£1.7 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 75% of planning materiality.	£1.2 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.	£17,000

Timetable

20. 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
Agreement of year end balances for NHS Tayside's group accounts consolidation	31 May 2019
Consideration of unaudited annual accounts by those charged with governance	26 June 2019
Latest submission date of unaudited annual accounts with complete working papers package	28 June 2019
Latest date for final clearance meeting with Chief Finance Officer	9 August 2019
Issue of letter of representation and proposed independent auditor's report	16 August 2019
Agreement of audited unsigned annual accounts	16 August 2019
Issue of Annual Audit Report to those charged with governance	16 August 2019
Independent auditor's report signed	28 August 2019

Internal audit

21. Internal audit is provided by Fife, Tayside & Forth Valley Audit and Management Services (FTF) with support from Angus Council internal audit section, overseen by Tony Gaskin (FTF) as Chief Internal Auditor. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS).

22. We have concluded that FTF has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS). We concluded last year that we could place reliance on FTF but that they had not met the PSIAS requirement for an external review of compliance with PSIAS within a five-year period. This external review is expected to be reported in December 2018. We will review Angus Council's internal audit function as part of Angus Council audit planning in January/February 2019.

Using the work of internal audit

23. 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.

24. We take audit assurance from the external auditors of Angus Council and NHS Tayside over the ledger information used to prepare the IJB accounts. We will not place formal reliance on the work of internal audit to reduce our financial statements audit testing, but we will take account of all their work to inform our wider dimension audit responsibilities.

Audit dimensions

25. 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

26. 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

27. 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 the body's 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 consider:

- 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
- whether the IJB can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

28. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will consider:

- whether the IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

29. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will consider:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others).
- 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.

Value for money

30. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- Angus IJB can provide evidence that it is demonstrating value for money in the use of its resources.
- Angus IJB can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- Angus IJB can demonstrate that outcomes are improving.
- There is sufficient focus on improvement and the pace of it.

Other planned audit work

31. The following areas may present significant risks to Angus IJB:

- EU Withdrawal, specifically looking at implications for workforce, finance, regulation and the supply of drugs and other medical supplies
- The changing landscape for public financial management

- Dependency on key suppliers
- Openness and transparency, reviewing the approach to openness and transparency to ensure it is keeping pace with public expectations and good practice.

32. As part of our 2018/19 audit we will be looking at how these areas are being managed by Angus IJB.

Independence and objectivity

33. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

34. The engagement lead (i.e. appointed auditor) for Angus Integration Joint Board is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor Gillian Woolman 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 Angus Integration Joint Board.

Quality control

35. 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.

36. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

37. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Angus Integration Joint Board

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If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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