

Glasgow City Integration Joint Board

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for by Glasgow City Integration Joint Board

January 2020

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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.

Adding value

3. We aim to add value to the Glasgow City Integration Joint Board (the IJB) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the IJB promote improved standards of governance, better management and decision-making and more effective use of resources.

Audit risks

4. Through our planning process we have identified the following significant risks for the IJB. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

Financial statements risks

<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Assessment of the estimation methodology applied by the IJB and the reasonableness of the estimates contained in the financial statements.</p> <p>Evaluation of the assurances from the IJB's partner bodies' external auditors, who carry out testing of accruals and prepayments.</p>
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Wider dimension risks

2 Financial management – Set aside

The 2018 Scottish Parliament report, "Looking ahead to the Scottish Government - Health Budget 2019-20: Is the budget delivering the desired outcomes for health and social care in Scotland?", concluded that the set aside budget is, generally, not operating as intended. Significantly, the report highlights that there is a disconnect between how the set aside budget should operate in principle compared with how it is operating in practice meaning that this mechanism for shifting the balance of care is not being utilised effectively.

An effective set aside mechanism, which takes account of the shift in services from hospitals to community and social care, will provide the IJB more control in utilising the set aside budget to deliver its strategic objectives and help ensure financial sustainability.

The Strategic Commissioning Plan for Unscheduled Care Services in NHS Greater Glasgow and Clyde which is being developed.

Regular updates on progress in relation to set aside provided to both the IJB and the Ministerial Steering Group.

Review the IJB's approach to using the set aside budget, specifically through its engagement with the Health Board to improve set aside arrangements and report on progress made to date.

Source: Audit Scotland

5. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted the risks of material misstatement caused by fraud in income recognition in 2019/20 as the IJB receives its income by way of budget allocations from Glasgow City Council (GCC) and NHS Greater Glasgow and Clyde (NHSGGC) and then commissions services in line with its Strategic Plan. This limits the opportunity for manipulation.

6. In line with Practice Note 10, as most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2019/20 because the IJB's expenditure is processed through the financial systems of GCC and NHSGGC. The manipulation of expenditure is deemed as a risk for GCC and NHSGGC rather than the IJB and we obtain assurances from the auditors of GCC and NHSGGC over the accuracy and completeness of the transactions coded to IJB account codes.

Reporting arrangements

7. 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.

8. 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.

9. We will provide an independent auditor's report to the IJB and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer 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

2019/20 Audit outputs

Annual Audit Plan	29 January 2020	Finance, Audit and Scrutiny Committee 19 February 2020
Independent Auditor's Report	2 September 2020	Finance, Audit and Scrutiny Committee 9 September 2020 Integration Joint Board 23 September 2020
Annual Audit Report	2 September 2020	Finance, Audit and Scrutiny Committee 9 September 2020 Integration Joint Board 23 September 2020

Source: Audit Scotland

Audit fee

10. The proposed audit fee for the 2019/20 audit of the IJB is £26,560 (2018/19: £25,000). In determining the audit fee we have taken account of the risk exposure of the IJB, the planned management assurances in place and the level of internal audit's work that we plan to use. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 30 June 2020.

11. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to make use of the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Finance, Audit and Scrutiny Committee and Chief Officer: Finance and Resources

12. 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.

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

Appointed auditor

14. 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.

15. 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

16. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the IJB and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

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

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the IJB as at 31 March 2020 and of its 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 2019/20 Code
- 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Statutory other information in the annual accounts

18. 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.

19. We also review the content of the annual accounts for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

20. 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.

21. We assess materiality at different levels as described below and the calculated materiality values for the IJB are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

<p>Planning materiality – This is the figure we use to assess the overall impact of audit adjustments on the financial statements. We have set this at 1.5% of gross expenditure for the year ended 31 March 2019 based on the latest audited accounts for 2018/19.</p> <p>We will review this level of materiality in light of any emerging significant risks and the reported outturn position as declared in the 2019/20 financial statements when presented for audit.</p>	£20 million
<p>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 65% of planning materiality.</p>	£13 million
<p>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. We have calculated this at 1% of planning materiality.</p>	£0.2 million

Source: Audit Scotland

Timetable

22. 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

Consideration of unaudited annual report and accounts by those charged with governance	24 June 2020
Latest date by which the IJB is to submit unaudited annual accounts with complete working papers package to Audit Scotland	30 June 2020
Latest date for final clearance meeting with Chief Officer: Finance and Resources	By 30 August 2020
Issue of Letter of Representation and proposed independent auditor's report	2 September 2020
Agreement of audited unsigned annual accounts	2 September 2020
Issue of Annual Audit Report including ISA260 report to those charged with governance	2 September 2020
Independent auditor's report signed by Audit Scotland	By 30 September 2020

Internal audit

23. Internal audit is provided by the internal auditors of Glasgow City Council. 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 the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

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

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 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

28. 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 the budgetary control system in communicating accurate and timely financial performance;
- how the IJB 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.

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 review, conclude and report on whether the IJB can demonstrate:

- that the governance arrangements it has in place are appropriate and operating effectively;
- effective scrutiny, challenge and transparency in the decision-making process and through finance and performance reports; and
- 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 the IJB can demonstrate:

- value for money in the use of resources;
- a clear link between money spent, output and outcomes delivered;
- improving outcomes; and
- that there is sufficient focus on improvement and the pace of it.

Best Value

31. 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

32. 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.

33. The engagement lead for the IJB 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 the IJB.

Quality control

34. 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.

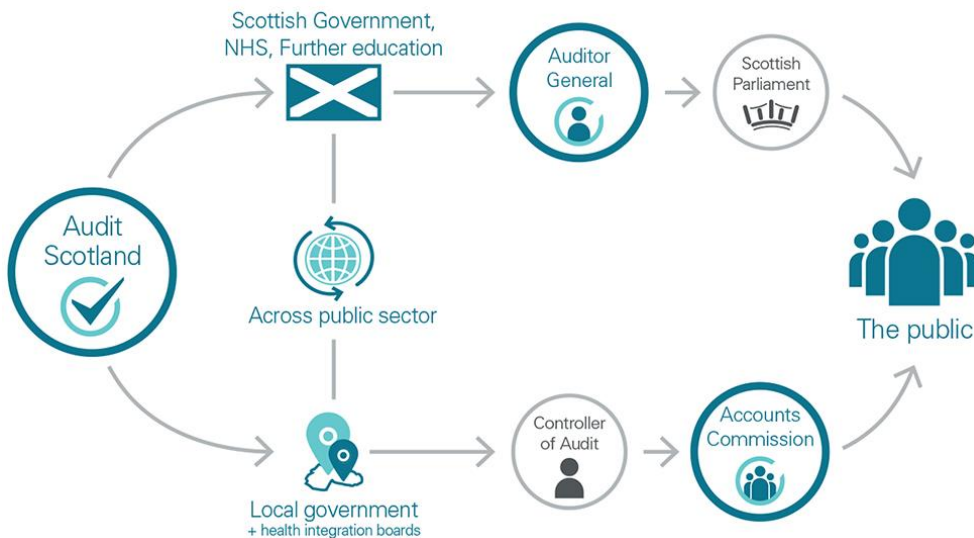
35. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that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

36. 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.

Appendix 1: 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.

Glasgow City Integration Joint Board

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