



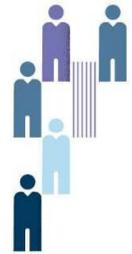
Scott-Moncrieff  
business advisers and accountants

With **Campbell Dallas**  
a Cognia company

# Edinburgh Integration Joint Board

External Audit Annual Plan 2019/20

January 2020





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# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2019/20 external audit of the Edinburgh Integration Joint Board (“the IJB”).
2. The core elements of our work include:
  - an audit of, and provision of a specified audit opinion, on the 2019/20 annual accounts;
  - consideration and reporting on the IJB’s arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency, and value for money;
  - any other work requested by Audit Scotland, including the contribution to performance audits (including overview reports, performance audit reports, and impact reports).
7. We confirm that we comply with the Financial Reporting Council’s (FRC) Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence.

### Adding value through the audit

9. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the IJB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

### Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission’s work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Scott-Moncrieff as external auditor of the IJB for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2019/20 and summarises:
  - the responsibilities of Scott-Moncrieff as the external auditor;
  - our audit strategy;
  - our planned audit work and how we will approach it;
  - our proposed audit outputs and timetable; and
  - background to Scott-Moncrieff and the audit management team.

### Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

### Openness and transparency

11. This plan will be published on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

### Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.



# 2. Respective responsibilities of the auditor and the IJB

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## Respective responsibilities of the auditor and the IJB

### Auditor responsibilities

#### Code of Audit Practice

12. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

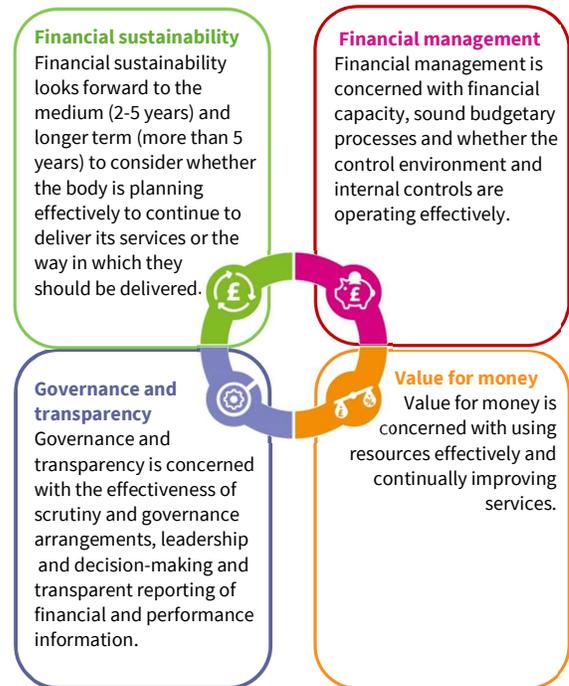
#### Our responsibilities

13. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 15). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
- notify the Controller of Audit when circumstances indicate that a statutory report may be required
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
  - suitability and effectiveness of corporate governance arrangements
  - financial position and arrangements for securing financial sustainability

14. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

### Exhibit 1: Audit dimensions of wider scope public audit



### Wider scope audit work

15. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
16. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
17. Our assessment takes into account the size, nature and risks of the organisation. Taking these factors into consideration, we have concluded that application of the full wider scope is appropriate at the IJB.



## Best Value

18. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.
19. Our work in respect of the IJB's best value arrangements will be integrated into our audit approach, including our work on the wider scope audit dimensions as set out in section 5 of this plan.

## Strategic audit priorities for local government audits

20. The Accounts Commission has set the following five Strategic Audit Priorities that it expects auditors to consider in all work across local government:
  - Having clear priorities with a focus on outcomes, supported by effective long term planning.
  - The strategic appraisal of options to reshape services in line with priorities. This should consider good practice, innovation and collaborative working with partners
  - Ensuring that members and officers have the right knowledge, skills and support to design,

develop and deliver effective services in the future.

- Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
  - Reporting the organisation's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
21. Our consideration of these priorities will be integrated into our 2019/20 audit work. The extent to which we will report on these will be dependent on the findings of our work as it relates to the four dimensions referred to above and is considered in section 5 of this plan.

## IJB responsibilities

22. The IJB has 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. The IJB's responsibilities are summarised in Exhibit 2.

## Exhibit 2 – IJB responsibilities

Area	IJB responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The IJB has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements</li> </ul>



Area	IJB responsibilities
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The IJB is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is the IJB's responsibility for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The IJB is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from public funds.</p> <p>It is the IJB's responsibility for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p><b>Governance and transparency:</b> 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.</p>	<p>The IJB are responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The IJB are also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The IJB has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>



# 3. Audit strategy

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# Audit strategy

## Risk-based audit approach

23. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers	Our understanding of the sector and its key priorities and risks	Attendance at the Audit and Assurance Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other auditors	Review of internal audit's plan and reports
Review of the IJB's corporate strategies and plans	Review of the IJB's corporate risk register	Consideration of the work of other inspection bodies as appropriate

24. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

### Communications with those charged with governance

25. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the IJB that these communications will be through the Audit and Assurance Committee.

### Professional standards and guidance

26. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

### Partnership working

27. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

### Audit Scotland

28. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.
29. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the IJB's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which the IJB uses the national performance reports as a means to help improve performance at the local level.
30. During the year we may also be required to provide information to Audit Scotland to support the national performance audits or provide information to support the assessment of the impact of specified published performance audit reports.



## Internal audit

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31. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the IJB's total audit resource. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to the IJB is used efficiently and effectively.

## Shared systems and functions

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32. The IJB relies on financial systems operating in City of Edinburgh Council and NHS Lothian to produce its financial reports. We will seek assurance on the operation of these systems from the Scott-Moncrieff audit of these two bodies.



# 4. Annual accounts

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## Annual accounts

### Introduction

33. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section of our plan set outs our approach to the audit of the IJB's annual accounts.
34. The annual accounts of the IJB comprise the financial statements, the management commentary, remuneration report, governance statement and statement of responsibilities.

### Approach to audit of the financial statements

35. Our opinion on the financial statements will be based on:

#### Risk-based audit planning

36. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the financial statements will be based.

#### An audit of key systems and internal controls

37. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements.
38. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We examine and test compliance with best practice and the IJB's own policies and procedures.
39. We take cognisance of any relevant internal audit reviews of systems and controls.
40. We update the risk assessment following our evaluation of systems and controls which ensures that we continue to focus attention on the areas of highest risk.

#### A final audit of the financial statements

41. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on our risk assessment.

42. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

#### Independent auditor's report

43. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor's report which will be included in the annual accounts.
44. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

#### Materiality

45. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout our audit.
46. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
47. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
48. Our initial assessment of materiality and performance materiality is set out in the table below.



	Materiality £million
<b>Overall materiality:</b> Our initial assessment is based on approximately 1.6% of the IJB's forecasted cost of delegated services in 2019/20. We consider forecasted 2019/20 gross expenditure to be the principal consideration for the users of the accounts when assessing the performance of the IJB.	11.000
<b>Performance materiality:</b> using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	8.250

49. We will also report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;
  - Uncorrected misstatements with a value in excess of £250,000; and
  - Other misstatements below the £250,000 threshold that we believe warrant reporting on qualitative grounds.

#### Key audit risks in the financial statements

50. Auditing standards require that we inform the Audit and Assurance Committee of our assessment of the risk of material misstatement in the financial statements. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit and Assurance Committee if our assessment changes significantly during the audit.



## Exhibit 3 – Key audit risks in the financial statements

### Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

51. In response to this risk we will review the IJB's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will review the key accounting estimates, judgements and decisions made by management.

### Revenue recognition

Under ISA (UK) 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the IJB could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

52. We have identified that for contributions received from the IJB's funding partners, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate transactions of this nature.

### Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 "*The Audit of Public Sector Financial Statements*" which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

53. In response to this risk we will evaluate the significant expenditure streams and review the controls in place over accounting for expenditure. We will consider the IJB's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.



# 5. Wider scope

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## Introduction

54. As described in section 2, the Code frames a significant part of our audit responsibilities in terms of four wider scope audit dimensions. As part of our annual audit we consider and report against these four dimensions:
- financial sustainability
  - financial management
  - governance and transparency; and
  - value for money.
55. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon our work in prior years to develop an understanding of the IJB's key priorities and risks. In 2019/20, Audit Scotland has also identified the following wider scope risks, which we will consider during our audit as they relate to the IJB:
- Fraud and corruption in respect of the procurement function; and
  - EU withdrawal
56. At this stage of our audit planning, we have identified four significant risks to the wider scope of our audit (Exhibit 4).
57. Audit planning is a continuous process and we will report any identified significant risks, as they arise during our audit work, in our annual audit report.

### Exhibit 4 – Wider scope significant risks

#### 1. Financial sustainability

The IJB has been able to demonstrate arrangements for short term financial planning. However, as first reported in our 2016/17 Annual Audit Report, the IJB has not yet developed a medium or long-term financial plan or strategy. In October 2019, the Board considered a Financial Framework 2020-2023 which will form the basis of a medium-term financial strategy. This recognised that the IJB continues to face significant challenges over the medium term due to increasing demand for services and a climate of constrained financial resources.

The financial framework outlines a gap of £36 million in 2020/21. The IJB has identified high-level savings of £24 million, leaving £11 million unbalanced. The framework forecasts a similar position in 2021/22 and 2022/23, with the plan unbalanced by £12 million and £15 million in each year respectively. There is an urgent need to work with partners to develop a strategic approach to financial planning. Without a medium-term financial plan in place, the IJB cannot demonstrate how it will deliver the required level of savings and bridge the financial gaps, whilst continuing to deliver key priorities within the financial resources available.

58. During our audit we will consider whether the IJB has developed adequate arrangements that allow it to demonstrate the financial sustainability of the services it directs. Our conclusion will be based on a review of the IJB's financial performance, underlying financial position, financial plans, financial reporting and achievement of savings targets.



## 2. Financial management: Projected in year deficit

The IJB started 2019/20 with an unbalanced financial plan, reporting an outstanding balance of £7.150 million in May 2019. Through a combination of partnership wide savings, a contribution from reserves and slippage on funding set aside for specific initiatives, the IJB reported a small projected surplus of £0.600 million at the end of the first 7 months of 2019/20.

This in year position relies heavily on the use of one-off measures and slippage and there is a risk that the IJB will not achieve the planned balanced outturn position. This could have a detrimental impact on short and medium term plans for the delivery of directed services. There is also the potential for underperformance to have a wider impact on longer term financial sustainability

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59. During our audit we will consider the approach the IJB has taken to financial reporting as well as actions identified and carried out to respond to financial challenges that have occurred during the year. We will consider the partnership approach taken to financial management and reporting across the IJB, the City of Edinburgh Council and NHS Lothian.



### 3. Governance and transparency: Recovery plan

During 2017/18 the interim management team for the Edinburgh Health and Social Care Partnership (the group overseeing operational delivery of the IJB's directions to its partners) considered that there was a clear requirement to bring greater clarity and focus to the activities of the partnership, with an emphasis on performance, quality and finance. At its development session on 13 October 2017 the IJB considered a 'Statement of Intent' setting out:

*"a high-level recovery plan to address the immediate, short and medium-term challenges faced by the Partnership, the EIJB and the parent bodies. It is constructed around the three key pillars of quality, performance and finance."*

The recovery plan outlined the following seven high-level themes as well as related commitments:

- Doing the basics well
- Developing a performance framework
- Establishing a financial framework
- Developing strategies, with identifiable, manageable actions
- Ensuring optimum quality
- Clarifying and simplifying governance arrangements
- Improving relationships between the IJB and its partner

As reported in our 2017/18 and 2018/19 Annual Audit Report, progress against the recovery plan had not been separately and formally reported since December 2017. In May 2019 the Board developed an Improvement Plan which is mapped against the key priorities of the Statement of Intent. In addition, an external assessment of the IJB's governance arrangements was undertaken in 2018/19 by the Good Governance Institute, identifying a series of 18 recommendations.

The IJB has recognised that without a clear roadmap to work with, it cannot bring clarity to the partnership's activities, nor can the partnership support the IJB in effectively discharging its duties. This in turn would lead to suboptimal performance and quality, and financial imbalance. We therefore continue to regard the recovery plan and the need to bring clarity to the organisation's governance arrangements as a significant risk.

60. During our audit we will consider the IJB's involvement in the development of the recovery plan as well as considering performance to date against the seven key themes and related commitments within the recovery plan. More generally, in our role as appointed auditors to the IJB, City of Edinburgh Council and NHS Lothian, we will continue to consider the adequacy of governance arrangements in place across the partnership and progress made in addressing the issues raised by the Good Governance Institute.



#### 4. Value for money: Performance

Under the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. One of the key strands outlined in the IJB's Statement of Intent is the development of a performance management framework.

The IJB has developed metrics that will be reported to every meeting of the Board. However, as reported in our 2018/19 Annual Audit Report, further work is still required to fully develop and embed the performance management framework. In June 2019, the Board approved a new committee structure including the establishment of the Performance and Delivery Committee. The committee first met in September 2019 and reviewed their Terms of Reference and core duties.

Without a clear, effective performance management framework in place there is a risk that the IJB cannot demonstrate continual improvement of services delivered and the achievement of value for money through appropriate use of resources. The establishment of a Performance and Delivery Committee with a clear purpose and remit is a key step in developing a robust performance management framework.

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61. During our audit we will review performance monitoring arrangements to ensure these are appropriate, effective and in line with best practice. We will consider the remit and operation of the newly established Performance and Delivery Committee. In addition, we will consider how the IJB plans to monitor the impact it has on outcomes and whether it can demonstrate that there is sufficient focus on improvement.



# 6. Audit outputs, timetables and fees

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## Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the IJB.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2019/20.	February 2020
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	September 2020
Annual Report to the IJB and the Controller of Audit	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2020

### Audit outputs

62. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
63. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

the significant audit work required to conduct a full wider scope audit under the Code of Audit Practice, including the related significant risks reported in this plan.

67. The audit fee for the current and prior year are set out in the tables below:

	2019/20	2018/19
Auditor remuneration	£20,500	£19,300
Pooled costs	£1,780	£1,670
Performance audit and best value	£5,360	£5,050
Audit support costs	£1,100	£1,080
<b>Total expected fee</b>	<b>£28,470</b>	<b>£27,100</b>

### Audit fee

64. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
65. As auditors we negotiate a fee with the audited body during the planning process. The auditor remuneration element of the fee may be varied by up to 20% above the expected fee level where the expected fee is below £26,000 to reflect the circumstances and local risks within the body.
66. The expected fee set by Audit Scotland for the 2019/20 audit of the IJB is £26,540. We propose setting the 2019/20 audit fee at £28,740, which represents an uplift of 8.3% on the expected fee (12% on the auditor remuneration element). This reflects the relative scale of the Edinburgh IJB and

68. We will take account of the risk exposure of the IJB and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.



## Audit timetable

69. A summary timetable, including audit outputs, is set out as follows:

<b>JAN 20</b>	●	Planning meeting to inform the 2019/20 audit
<b>MAR 20</b>	●	Presentation of External Audit Plan to the Audit and Assurance Committee
<b>JUN 20</b>	●	Accounts presented for audit and final audit visit begins
<b>SEPT 20</b>	●	Annual audit report presented to Audit and Assurance Committee and submitted to the Controller of Audit



# 7. Appendices

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## Appendix 1: Your audit management team

Scott-Moncrieff is one of Scotland's leading firms of auditors and business advisers. We are part of the fast-growing Cogital Group, giving us a UK-wide presence of 190 offices and 6,500 staff and an international reach from offices across seven countries. Cogital Group is an innovator, investor and early adopter of technologies that provide continuous improvement to the service we provide our clients.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

### Your audit management team



#### Nick Bennett

##### Audit Partner

[nick.bennett@scott-moncrieff.com](mailto:nick.bennett@scott-moncrieff.com)

Nick has over 20 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards.

Nick's experience and expertise is acknowledged by both clients and by other professionals right across the public sector.

Nick will be your appointed Engagement Lead.



#### Nicola MacKenzie

##### Assistant Manager

[nicola.mackenzie@scott-moncrieff.com](mailto:nicola.mackenzie@scott-moncrieff.com)

Nicola joined Scott-Moncrieff in 2014 as a public sector audit trainee and has since achieved her CA qualification. She has experience across a range of sectors, delivering both external and internal audit to our public sector clients.

Nicola will be your appointed Audit Manager and will work alongside Nick to deliver the audit engagement.



## Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standards stipulate that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Scott-Moncrieff has not been appointed by the IJB to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and the IJB, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



## Appendix 3: Statement of understanding

### Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of the IJB and Scott-Moncrieff.

### Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant IJB staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy in advance of our final audit visit which sets out our expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

### Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the IJB's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the IJB during the course of the audit on matters having a material effect on the annual accounts. This will take place by means of a letter of representation, which will require to be signed by the section 95 officer.

### Internal audit

It is the responsibility of the IJB to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists. We will liaise with internal audit to ensure an efficient audit process.

### Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- Involve the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

### Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if she knows or suspects that any person has engaged in money laundering or terrorist financing. Audit Scotland has extended this responsibility to the Accounts Commission in respect of local government.

We require the IJB to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

### Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants in England and Wales.

### Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

### Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Nick Bennett. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of you not being satisfied by our response, you



may also wish to bring the matter to the attention of the Institute of Chartered Accountants in England and Wales.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

## Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

## Agreement of terms

We shall be grateful if the Audit and Assurance Committee would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.

