

West Dunbartonshire Integration Joint Board

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for West Dunbartonshire Integration Joint Board

February 2020

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.

Adding value

3. 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 sharing and encouraging good practice. In so doing, we intend to help the WDIJB 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 committee meetings and a review of supporting information we have identified the following significant audit risks 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 risks for the 2019/20 audit

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by 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 & 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</p>	<ul style="list-style-type: none"> Normal budget monitoring processes would establish and report the reasons for any unexpected 	<ul style="list-style-type: none"> Assurances will be obtained from the auditors of NHS Greater Glasgow & Clyde and West Dunbartonshire Council over the accuracy,

 Audit Risk	Source of assurance	Planned audit work
<p>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 & 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>	<p>fluctuations in expenditure during the year.</p>	<p>completeness and allocation of the Integration Joint Board ledger entries.</p>
<p>3 Hospital acute services (set aside)</p> <p>The “set aside” budget is the Integration Joint Board’s share of the budget for delegated acute services provided by hospitals on behalf of the Joint Board.</p> <p>The Board recently agreed an estimated figure for 2019/20, with a view to reflecting the true cost and activity from 1 April 2020.</p> <p>There is a risk that the sum set aside in the 2019/20 IJB accounts does not accurately reflect the true cost of acute services.</p>	<ul style="list-style-type: none"> • A working group of representatives from the six Glasgow IJB’s, the Scottish Government and NHSGGC are continuing to work on an agreed mechanism to accurately reflect the sum set aside. 	<ul style="list-style-type: none"> • Engage with officers to ensure that a robust mechanism has been developed to quantify set aside figures. • Monitor Scottish Government guidance on the treatment of set aside in the 2019/20 financial statements to establish whether the disclosure in the financial statements is compliant. Provide update in the Annual Audit Report.
<p>4 Financial sustainability</p> <p>The financial monitoring report (for the period to 30 September 2019) showed a projected overspend for the year of £0.527 million.</p> <p>A recovery plan accompanied the financial monitoring report and set out the use of reserves to fund any overspend, after the application of mitigating actions.</p> <p>The reserves balance at 31 March 2019 was £2.457 million, which is below the IJB’s reserve target of 2% of net expenditure (excluding Family Health Services expenditure).</p> <p>As at 19 February 2020, the financial report for the period to 31 December 2019 is now projecting an underspend for the year of £0.520 million. This is due to various reasons, including underspends within elderly care services and delays in recruiting to vacancies.</p> <p>There are currently no medium to long-term financial plans in place to</p>	<ul style="list-style-type: none"> • Going concern assurance received from Chief Finance Officer of the IJB. • Recovery plans are in place to minimise the utilisation of reserves. • Medium-long term financial plans are within the planned scope of work for the Chief Financial Officer and Heads of Service. 	<ul style="list-style-type: none"> • Review the Chief Financial Officer’s assessment of going concern for the 2019/20 accounts. • Review of the IJB’s recovery plan. • Review ongoing budget monitoring reports to ensure they accurately reflect the position of the partnership. • Review of the IJB’s year-end position. • Review of the year-end reserves position. • Monitor progress in developing a medium to long-term financial plan and report an update in the Annual Audit Report.

 Audit Risk	Source of assurance	Planned audit work
<p>demonstrate how the IJB will secure the financial sustainability of its services in the future.</p> <p>There is a risk that the IJB is not able to project its cost pressures effectively or identify savings and efficiencies timeously and is reliant on the use of reserves to deliver services and is not financially sustainable in the medium to long-term.</p>		
Wider dimension risks		
<p>5 2020/21 budget setting</p> <p>The timing of budget setting for the UK and Scottish public sector has led to increased uncertainty for IJBs in setting 2020/21 budgets.</p> <p>West Dunbartonshire Council is due to set its 2020/21 budget on 4 March 2020 but there is a risk that that the budget does not reflect the final settlement, and further in-year savings need to be made that impact on the IJB budget.</p> <p>WDIJB is due to set its budget on 25 March 2020 and, as in past years, indicative figures will be used for the Health Board's contributions.</p> <p>If partner contributions are lower than expected, this will impact on the 2020/21 WDIJB budget and the planned delivery of services.</p>	<ul style="list-style-type: none"> • Continuous discussions between the IJB, Council and Health Board to provide the most up to date position regarding budget setting. • Officers will prepare a revised budget and provide members with further saving options if partner contributions are lower than expected. 	<ul style="list-style-type: none"> • Ongoing monitoring of budget setting for 2020/21, including confirmation of funding from host bodies.
<p>6 Demonstrating the delivery of Best Value</p> <p>WDIJB are required to have arrangements in place to demonstrate that it is delivering Best Value in the provision of services.</p> <p>There is a risk that the IJB is unable to demonstrate that it is delivering Best Value and evidence how the IJB is changing the way care services are delivered and realigning budgets to support this.</p>	<ul style="list-style-type: none"> • The Head of Strategy, Planning and Health Improvement will embed the principles of Best Value into the regular quarterly performance reports to the HSCP Board to complement to Financial Performance Reports. • The Heads of Service will have in place for 2020/21 Service Improvement Delivery Plans incorporating actions to demonstrate Best Value. 	<ul style="list-style-type: none"> • Monitor progress against developing a mechanism to demonstrate that the IJB is achieving Best Value. • Review evidence of continuous improvement reported within WDIJB's 2019/20 Annual Performance Report.

 Audit Risk	Source of assurance	Planned audit work
<p>7 Financial regulations</p> <p>The financial regulations were due to be reviewed on 1 April 2019 but have not yet been reviewed and updated.</p> <p>There is a risk that the existing financial regulations do not reflect current practices, including recent changes made to procurement processes.</p>	<ul style="list-style-type: none"> The Financial Regulations will be updated for the April 2020 Audit and Performance Committee Review. 	<ul style="list-style-type: none"> Review updated financial regulations, once available.

Source: Audit Scotland

5. 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 & 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

6. 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.

7. 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 officer(s) to confirm factual accuracy, prior to the issue and publication of final reports.

8. 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 2019/20 Audit outputs

Audit Output	Committee Date
Independent Auditor's Report (i.e. audit certificate)	23 September 2020
Annual Audit Report	23 September 2020

Source: Audit Scotland

Audit fee

9. The agreed fee for the 2019/20 audit of West Dunbartonshire Integration Joint Board is £26,560 (£25,000 in 2018/19). The audit fee is in line with Audit Scotland's expected fee for all IJBs this year and represents a £1,560 (6.2%) increase on the 2018/19 audit fee. This level of increase reflects the additional resource input required to deliver the IJB audits last year, including the extent of wider dimension audit work now included within the scope of these audits.

10. 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 and Performance Committee and Chief Financial Officer

11. 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 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.

12. 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

13. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice and the auditing profession's ethical guidance.

14. Auditors in the public sector give independent opinions on the financial statements and other information within the annual accounts.

Audit scope and timing

Annual accounts

15. 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
- determining the nature, timing and extent of audit procedures necessary to provide sufficient audit evidence as to whether the financial statements are free from material misstatement.

16. 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 2020 and of the income and expenditure of the year
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
- the annual accounts have been prepared in accordance with relevant legislation.

Other information in the annual accounts

17. We also review and report on the other information published within the annual accounts including the management commentary, annual governance statement and 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.

Materiality

18. 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.

19. 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 based on the audited accounts for the year ended 31 March 2019.	£2.854 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.	£1.998 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.	£0.050 million

Source: Audit Scotland

Timetable

20. 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 agreed timetable for the 2019/20 annual accounts is included at [exhibit 4](#).

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual report and accounts by the Audit and Performance Committee / Board	17 June 2020
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2020
Latest date for final clearance meeting with the Chief Financial Officer	3 September 2020
Issue of Letter of Representation and proposed independent auditor's report	23 September 2020
Agreement of audited unsigned annual report and accounts	23 September 2020
Independent auditor's report signed	23 September 2020
Issue of Annual Audit Report to those charged with governance	23 September 2020

Internal audit

21. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an annual assessment of the internal audit function at audited bodies.

22. 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).

23. It was agreed at the Audit & Performance pre-agenda meeting on the 11 March 2020 that detailed audit progress reports from West Dunbartonshire Council (WDC) would no longer be routinely included in papers to the Audit and Performance Committee. Instead, WDIJB would place reliance on the WDC internal audit team to follow-up on audit action points in a similar way as the NHS Greater Glasgow & Clyde internal auditors. Therefore, only actions raised that are the specific responsibility of WDIJB will be monitored, on an exception basis.

Using the work of internal audit

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

- Attendance management
- Case management

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

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

Financial management

26. 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
- consideration of the effectiveness of the controls and policies in preventing procurement fraud.

Financial sustainability

27. 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 Joint Board's financial sustainability. We will carry out work and conclude on the following areas:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the arrangements in place to address any identified funding gaps

Governance and transparency

28. 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

29. 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.

Best Value

30. Integration Joint Boards have a statutory duty to make arrangements to secure best value. We will review and report on these arrangements.

EU withdrawal

31. The United Kingdom left the European Union on 31 January 2020. Work is ongoing with the Scottish Government and the Joint Board's partner organisations to ensure that all necessary and appropriate steps are taken to minimise any disruption caused by EU withdrawal during and beyond the 12 month transition period. We will continue to monitor developments in this area.

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 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 audit of West Dunbartonshire Integration Joint Board.

Quality control

34. International Standard on Quality Control (UK and Ireland) 1 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 appointed auditor or to Audit Scotland's Audit Quality and Appointments group.

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