

# Moray Integration Joint Board

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for Moray Integration Joint Board

April 2022

# Contents

---

Introduction	3
Financial statements audit planning	5
Audit dimensions and Best Value	8
Reporting arrangements, timetable, and audit fee	10
Other matters	13

---

# Introduction

---

## Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Moray Integration Joint Board (the IJB). The main elements of our work include:

- an audit of the 2021/22 annual accounts, and provision of an Independent Auditor's Report
- provision of an audit opinion on the other statutory information published within the annual accounts including the Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report
- consideration of arrangements in relation to the audit dimensions that frame the wider scope of public sector audit: financial management, financial sustainability, governance and transparency and value for money
- consideration of the IJB's Best Value arrangements.

## Impact of Covid-19

2. The coronavirus disease (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

## Adding value

4. We aim to add value to 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 will help the IJB promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Moray IJB and Audit, Performance and Risk Committee and actively participate in discussions.

## Respective responsibilities of the auditor and Moray Integration Joint Board

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and the IJB. Key responsibilities are summarised below.

### Auditor responsibilities

6. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

7. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the IJB to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.

### Moray Integration Joint Board responsibilities

8. The IJB is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. The IJB also has 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 deliver their objectives.

### Managing the transition to 2022/23 audits

10. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

# Financial statements audit planning

## Materiality

**11.** Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2021/22 audit

**12.** The materiality values for the IJB are set out in [Exhibit 1](#).

## Exhibit 1

### 2021/22 Materiality levels for Moray Integration Joint Board

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2022 based on the latest audited financial statements for 2020/21.	£1.4 million
<b>Performance materiality</b> – 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 assessed performance materiality at 75% of planning materiality.	£1.1 million
<b>Reporting threshold (clearly trivial)</b> – 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 5% of planning materiality and rounded to a memorable metric.	£70,000

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**13.** Our risk assessment draws on our cumulative knowledge of the IJB, its major transaction streams, key systems of internal control and risk management processes. It is also informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

**14.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

### Exhibit 2

#### 2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</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"> <li>• Agreement of balances and transactions to Moray Council and NHS Grampian financial reports / ledger / correspondence.</li> <li>• Auditor assurances will be obtained from the auditors of Moray Council and NHS Grampian over the completeness, accuracy and allocation of income and expenditure.</li> <li>• Review of year-end adjustments.</li> <li>• Review of financial monitoring reports during the year.</li> </ul>

Source: Audit Scotland

**15.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. The IJB is wholly funded by NHS Grampian and Moray Council. We assess that the risk of material misstatement arising from fraud over income is limited. This limitation is to such an extent that we have excluded the risk of fraud over income from our significant audit risks.

**16.** In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2021/22 as we do not consider this to be a significant risk for the IJB. This is on the basis that all transactions are processed by the partner bodies rather than the IJB directly and that all expenditure is undertaken by the partners who are public sector bodies.

**17.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

### **Audit risk assessment process**

**18.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

---

# Audit dimensions and Best Value

---

## Introduction

19. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

## Audit dimensions

20. The four dimensions that frame our audit work are shown in [Exhibit 3](#).

---

### Exhibit 3

#### Audit dimensions



Source: Code of Audit Practice

---

21. In summary, the four dimensions cover the following:

- **Financial management** – financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

- **Financial sustainability** – 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)
- **Governance and transparency** – 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
- **Value for money** – value for money refers to using resources effectively and continually improving services.

## Best Value

**22.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. We will consider and report, where necessary, on these arrangements.

## Audit dimension risks

**23.** No new audit dimension risks have been identified for the IJB in 2021/22. Progress on the outstanding audit dimension risks identified in prior years will be followed-up with management during the course of the 2021/22 audit.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**24.** Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 4](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**25.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy.

**26.** 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 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.

**27.** [Exhibit 4](#) outlines the target dates for our audit outputs which reflect available audit resources and prioritisation decisions (see paragraph 29 below).

## Exhibit 4 2021/22 Audit outputs

Audit Output	Target date	IJB date
Annual Audit Plan	30 April 2022	26 May 2022
Independent Auditor's Report	9 November 2022	24 November 2022
Annual Audit Report	9 November 2022	24 November 2022

Source: Audit Scotland

## Timetable

**28.** The effect of Covid-19 on the 2019/20 and 2020/21 audits means that we are starting the 2021/22 audits later than in previous years. We expect that this year will continue to be challenging and we have reviewed resources and timings across the audits which Audit Scotland delivers.

**29.** In the interests of public accountability, and with a view to the new audit appointments from 2022/23, Audit Scotland is prioritising NHS, agency and council audits this year. Although the target date for the completion of local government audits is 31 October 2022, this cannot be met in all cases.

**30.** We have included the proposed timetable for the audit of the IJB at [Exhibit 5](#) which has been discussed with management. We continue to seek ways to work more efficiently to expedite the 2021/22 audits whilst at the same time maintaining high standards of quality. Progress against the proposed timetable will be discussed with finance officers over the course of the audit

---

## Exhibit 5

### Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	30 June 2022
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	30 June 2022
Latest date for final clearance meeting with the Chief Financial Officer	3 November 2022
Agreement of audited unsigned annual accounts Issue of Annual Audit report including ISA260 report to those charged with governance	9 November 2022
IJB meeting to consider the Annual Audit Report and approve the audited annual accounts for signature	24 November 2022
Signed Independent Auditor's Report	24 November 2022

Source: Audit Scotland

---

**31.** To support an efficient audit, it is critical that high quality unaudited accounts and supporting working papers are provided and that the timetable for producing the annual accounts for audit is achieved.

## Audit fee

**32.** The agreed audit fee for the 2021/22 audit of Moray Integration Joint Board is £27,960 (2020/21: £27,330). 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 reliance we plan to take from the work of internal audit.

**33.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, the absence of adequate supporting working papers 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.

---

# Other matters

---

## Internal audit

**34.** Internal audit is provided by Moray Council's internal audit section. International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities
- evaluate and test the work of internal audit, where use is made of that work for our financial statements responsibilities to confirm its adequacy for our purposes.

**35.** We do not plan to place any formal reliance on the work of internal audit in 2021/22 as we intend to use a substantive approach for the audit of the IJB's financial statements. We will consider internal audit's work on the annual governance statement as part of our wider dimension audit responsibilities.

## Independence and objectivity

**36.** Auditors appointed by the Accounts Commission 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.

**37.** The engagement lead (i.e., appointed auditor) for the IJB is Brian Howarth, 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

**38.** International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be 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.

**39.** 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.

**40.** 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.

# Moray Intergration Joint Board

## Annual Audit Plan 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)