

Protocol for Auditor Assurances 2020/21

Integration joint boards



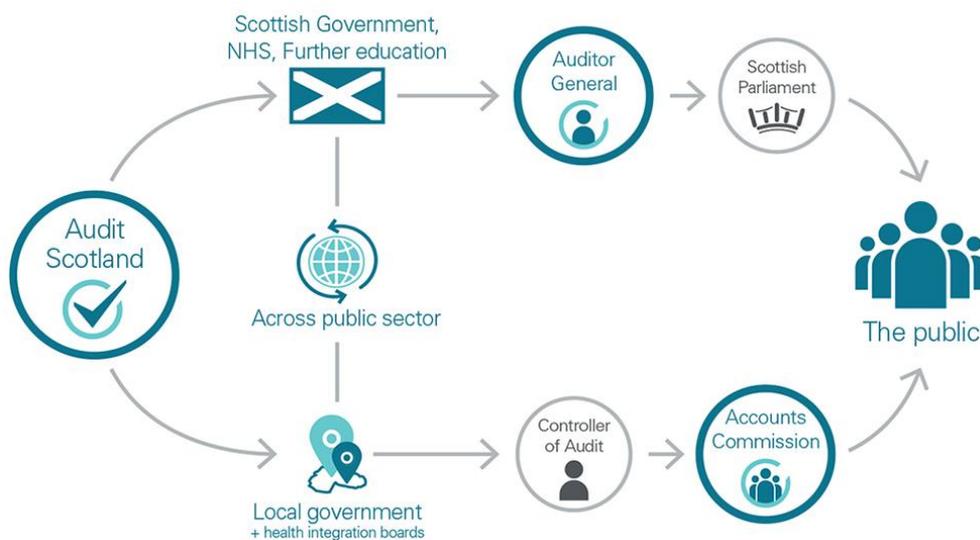
Prepared for auditors of the integration joint boards and partner bodies

26 February 2021

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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Introduction

Context

1. Integration joint boards (IJBs) depend on information for their financial reporting which is provided by systems hosted by the constituent health board and council (constituent authorities).
2. The challenge for the auditors of IJBs is to ensure they obtain sufficient appropriate audit evidence in respect of information which is not held by the IJB. They often request assurances from the auditors of constituent authorities.
3. IJBs are responsible for being satisfied in relation to the accuracy and completeness of the information included in their financial statements. Auditors should establish the controls in place at their IJB in respect of information related to financial reporting held by the constituent body, and evaluate the extent to which the controls are sufficient, before seeking assurance from other auditors.

IJBs depend on partners for information

Purpose of the protocol

4. Auditors of IJBs may judge that it is not necessary to request any assurances from other auditors. However, where assurances are judged to be appropriate to provide evidence in support of the opinion on the financial statements, the purpose of this protocol from Audit Scotland's Professional Support is to set out an agreed framework within which the assurances can be requested and provided in 2020/21.
5. For the avoidance of doubt, this protocol sets out the potential range of assurances but does not compel any specific assurances to be sought. It is not expected that any assurances outwith the specified range will be requested.

This protocol sets out a range of auditor assurances

Arrangements for fee for any additional work

6. Professional Support does not expect the procedures required to be performed by auditors to provide the assurances to be significant. However where an auditor considers it necessary to make a charge for the work, they should refer to section 3 of Audit Scotland's [Audit Management and Quality Guidance](#).

Contact point

7. The contact point in Professional Support for this protocol is Neil Cameron, Manager (Professional Support) - ncameron@audit-scotland.gov.uk or 0131 625 1797.

Financial information provided to IJB

Introduction

8. Module 12 in [Technical Guidance Note 2020/8\(LG\)](#) provides guidance to auditors in respect of risks of misstatement in IJBs. It also briefly explains that:

- the constituent authorities delegate functions and contribute funding to the IJB in respect of those functions
- the IJB commissions services from, and makes payment to, the constituent authorities for delivery of those services

9. The various related transactions are summarised in the following table:

| Transaction | IJB treatment | Constituent authority treatment |
|---|---------------|---------------------------------|
| Funding contribution to IJB | Income | Expenditure |
| IJB operation costs (where support services provided for consideration) | Expenditure | Income |
| Service commissioning | Expenditure | Income |
| Service delivery | - | Expenditure |

10. This protocol covers the income and expenditure set out in the first three rows of the above table. The funding contribution is based on budgeting information provided to the IJB by the constituent authorities. IJB auditors may therefore wish to obtain assurances regarding the systems providing that information.

11. An IJB commissions services from the constituent authorities; this is distinct from the IJB exercising operational control of the staff and assets of a constituent authority to deliver the services itself. It is the cost of commissioning the services that is the expenditure recognised by the IJB rather than the expenditure incurred in delivering the services. In Professional Support's view, it is therefore not necessary for an IJB auditor to seek assurances (e.g. information on transaction testing) in respect of expenditure incurred by the constituent authority in delivering the services (the fourth row in the above table) as that does not impact on the IJB's financial statements. However, IJB auditors will want to evaluate the IJB's contract monitoring arrangements.

12. Depending on the terms of the integration scheme, there may be balances between the IJB and the constituent authorities in respect of under or overspends of funding relative to services commissioned as summarised in the following table:

| | IJB treatment | Constituent authority treatment |
|------------|---------------|---------------------------------|
| Underspend | Debtor | Creditor |
| Overspend | Creditor | Debtor |

Planning

13. IJB auditors should plan their approach to obtaining assurances at an early stage. Where auditors decide to request assurances from constituent authority auditors, they should communicate with the relevant auditors in good time.

Range of requested assurances

14. Professional Support has facilitated discussions with IJB auditors on the appropriate assurances to be requested from the constituent authority auditors. The range of potential assurances is summarised in the following table:

| Assurance area | Explanation |
|------------------------------|---|
| Confirmation of transactions | Confirmation that the income and expenditure recognised by the IJB is consistent with the corresponding expenditure and income recognised by constituent authorities. |
| Confirmation of balances | Confirmation that any debtor or creditor balances recognised by the IJB is consistent with the corresponding amount recognised by constituent authorities. |
| Controls | An outline of the system(s) at the constituent authority for the financial information required by the IJB in deciding on their required funding. |
| | An evaluation of the suitability of the design of the related controls. |
| | The results of any relevant controls testing and the auditor's conclusion as to the operating effectiveness of those controls. |
| Laws and regulations | Information regarding the auditor's knowledge of any non-compliance with laws and regulations which may impact on the audit opinion on the financial statements of the IJB. |
| Fraud | Any other significant matters, including any instances of fraud. |

15. An illustrative letter for requesting assurances for 2020/21 is provided at Appendix 1 of this protocol along with an illustrative response at Appendix 2. They should be tailored as appropriate by the IJB auditor for the actual assurances requested (which should not generally be outwith those listed above) and by the auditor of the constituent authority for the assurances that have been provided.

Illustrative letters in appendices

16. It is important that auditors of constituent authorities provide an initial response either agreeing that the requested assurances will be provided or commencing a discussion on the actual assurances that can be provided.
17. Where auditors of constituent authorities have not carried out sufficient procedures to fully satisfy the assurances requested by the IJB auditor, further procedures may be required. It is more efficient if the procedures are performed by the auditor of the constituent authority but, in the event this is not possible, arrangements should be made for the auditor of the IJB to visit the constituent authority to perform the procedures directly.

Timescales for requesting and providing assurances

18. The timescales for requesting and providing the assurances in 2020/21 are summarised in the following table:

| Deadline | Action |
|-------------------|--|
| 30 April 2021 | Auditors of IJBs to request required assurances from constituent authority auditors. |
| 10 May 2021 | Auditors of constituent authorities to provide an initial response indicating the assurances that they intend to provide and the timescales (any significant delays should be communicated as they arise). |
| 27 August 2021 | Auditors of constituent authorities to provide agreed assurances in a substantive response. |
| 10 September 2021 | Auditors of constituent authorities to provide any required clarifications or responses to follow up queries. |

Appendix 1

Illustrative letter in relation to financial information provided to the IJB - request

Introduction

I am writing to you in respect of the financial statements for the year ended 31 March 2021 of [name of IJB].

[Insert name of IJB] is responsible for the preparation of financial statements that give a true and fair view of its financial position and performance. [Insert name of constituent authority] is responsible for provision of financial information which form part of those financial statements.

[Insert name of appointed auditor] is the appointed auditor for the [insert name of IJB]. This letter is a request for you in your capacity as appointment lead in the audit of [insert name of constituent authority] to provide assurances in relation to the arrangements in place at the body for the provision of financial information to the IJB. This request is made in accordance with Audit Scotland's Protocol for Auditor Assurances 2020/21 – Integration joint Boards.

Requested assurances

To assist [insert name of appointed auditor of IJB] in forming a conclusion on the arrangements at [insert name of constituent authority], please provide [tailor the list as appropriate]:

- an outline of the system of control in relation to the preparation of accurate and complete financial information to the IJB in deciding on their required funding;
- your evaluation of the suitability of the design of the controls related to the system for the accuracy and completeness;
- the results of any tests of controls and your conclusion as to the operating effectiveness of those controls;
- total amounts in relation to funding contributions paid to and commissioning income received from the IJB, the recharge of support costs, and any year end balances;
- information regarding your knowledge of any non-compliance with laws and regulations of which you are aware which may impact on our audit opinion on the financial statements of [insert IJB name]; and
- any other significant matters arising during your work, including any instances of fraud or suspected fraud.

Responsibilities and acknowledgements

[Insert name of appointed auditor of IJB] acknowledges that:

- your work was not initially planned in contemplation of the audit of [insert name of IJB];
- your audit of [insert name of constituent authority], in accordance with the Code of Audit Practice, would not necessarily identify matters in which [Insert name of appointed auditor of IJB] may be primarily interested;
- it is for [insert name of appointed auditor of IJB] to conclude on the work required to support the opinion on the financial statements of [insert name of IJB] and your work does not substitute for the audit procedures set out in International Standards on Auditing (ISAs); and
- it is for [insert name of appointed auditor of IJB] to consider the extent to which additional procedures should be performed in order to comply with ISAs.

Timescales

In accordance with timescales set out in the Protocol for Auditor Assurances 2020/21 – Integration Joint Board, I would be grateful if you would:

- confirm by 10 May 2021 that you are able to provide the assurances requested in this letter
- provide the requested assurances by 27 August 2021 at the latest.

Please inform me of any expected delays.

Appendix 2

Illustrative letter in relation to financial information provided to the IJB - response

Introduction

I am writing to you in my capacity as appointment lead for the audit of [insert name of constituent authority] in accordance with your request under Audit Scotland's Protocol for Auditor Assurances 2020/21 – Integration Joint Board, in relation to your audit of [insert name of pension fund].

As stated in your letter of xx April 2021, [insert name of constituent authority] is responsible for the provision of financial information to the IJB and these amounts form part of the IJB financial statements.

[Insert name of the IJB] remains responsible for the preparation of financial statements that give a true and fair view of its financial position and performance.

It is for individual auditors to conclude on the work required to support their opinion on the financial statements of their audited bodies. Our work does not substitute for your own audit procedures in accordance with International Standards on Auditing.

Assurances [tailor the list to reflect actual assurances requested and extent of assurance actually provided]

- An outline of the systems at [insert name of constituent authority] for the accurate and complete financial information provided to the IJB is set out in Appendix 1.
- In my opinion, the related controls are suitably designed to achieve the control objectives.
- [We did not perform any tests of controls/Our tests of controls did not identify any significant issues with their operating effectiveness/Our controls testing identified the following significant weaknesses with their operating effectiveness].
- Total amounts in relation to funding contributions paid to and commissioning income received from the IJB, recharge of support costs, and balances at 31 March 2021 are as follows:
- The audit of [insert name of constituent authority] is not yet complete, but at this stage there is nothing to report in relation to non-compliance with laws and regulations or other significant matters including fraud or suspected fraud.

Responsibilities and acknowledgments

This letter is supplied on the understanding that it is for the sole use of the persons to whom it is addressed and for the purposes stated.

Our work was not initially planned in contemplation of your audit of [insert name of IJB] and our audit in accordance with the Code of Audit Practice would not necessarily identify matters in which you may be interested. Additional procedures were however undertaken in order to provide you with your requested assurances.

It is for you to consider the extent to which you should perform additional procedures in order to comply with International Standards on Auditing.

Protocol for Auditor Assurances 2020/21 – Integration joint boards

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN
T: 0131 625 1500