
To: Renfrewshire Integration Joint Board Audit Committee

On: 25 January 2019

Report by: Chief Finance Officer

Subject: Annual Audit Plan 2018/19

1. Summary

- 1.1 The Annual Audit Plan 2018/19 for Renfrewshire Integration Joint Board is submitted for Members' information. The Plan outlines Audit Scotland's planned audit activities for the financial year 2018/19.
- 1.2 The Annual Audit Plan includes a section on Audit Issues and Risks. Within this section Audit Scotland have identified a risk of "Management override of controls". This risk is being included in the audit plans of all bodies which Audit Scotland are working with, in light of updated international standards on auditing. The inclusion of this risk is not a reflection of increased risk within Renfrewshire Integration Joint Board. Audit Scotland has confirmed that they have not found any issues on this in previous years.

2. Recommendations

- 2.1 The Joint Board is asked to note the Annual Audit Plan 2018/19 by Audit Scotland.

Renfrewshire Integration Joint Board

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

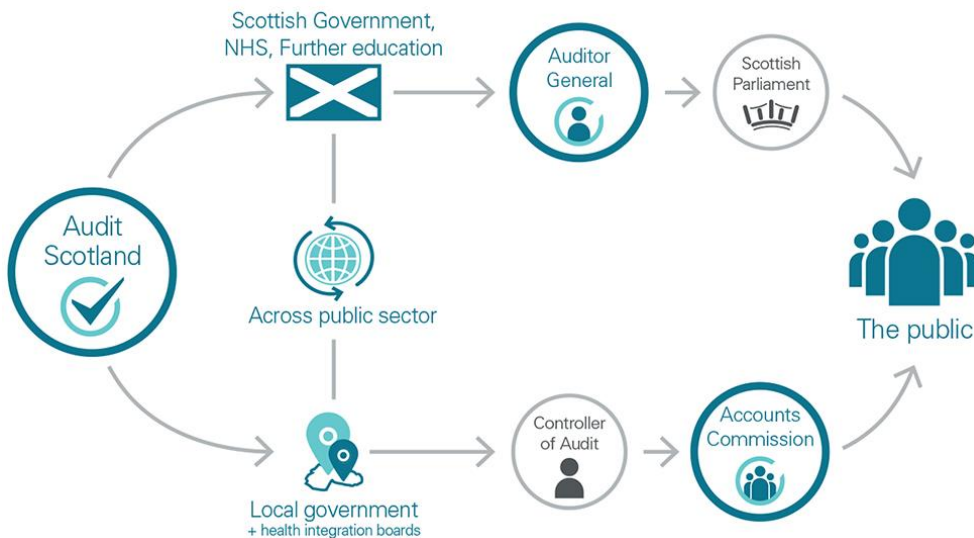
Prepared for Renfrewshire Integration Joint Board

25 January 2019

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 and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit including the audit of Best Value.

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 Renfrewshire Integration Joint Board (RIJB) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help RIJB 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 audit committee and board meetings and a review of supporting information we have identified the following main risk areas for RIJB. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Management's source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of 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>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Evaluation of significant transactions that are outside the normal course of business.

	Audit Risk	Management's source of assurance	Planned audit work
Wider dimension issues and risks			
2 Financial sustainability	<p>RIJB is facing a number of financial pressures including pay inflation, increasing prescribing costs and increasing service demand.</p> <p>Delivery of services in 2018/19 is projected to rely on the use of £1.559 million of general reserves held by Renfrewshire Council on behalf of RIJB.</p> <p>These pressures are expected to continue into 2019/20 where RIJB has identified a funding gap of £6.000 million.</p>	<p>The budget update for March 2019 and subsequent reports to the IJB will identify plans to achieve savings on a recurring basis and also address likely future savings challenges.</p> <p>The Chief Officer and Chief Finance Officer will continue to work with IJB members and other professional leads to agree a comprehensive risk assessed approach to develop viable saving proposals which minimise impact on service users' outcomes.</p>	<ul style="list-style-type: none"> • Attendance at board meetings • Monitor of performance against savings plans • Monitoring service delivery KPIs. • Consideration of savings plan for 2019/20 and 2020/21.
3 Agreement of health budgets	<p>The 2018/19 health budget was agreed on 27 April 2018, one month after the start of the financial year.</p> <p>The health budget for 2019/20 is due to be approved at the board meeting on 22 March 2019.</p> <p>Due to the delays in approving the health budget in the previous 2 years, there is a risk that the 2019/20 health budget will not be approved as planned. This could impact the ability of the RIJB to strategically manage expenditure.</p>	<p>The timing of NHS financial planning and associated partnership budget contributions is a national issue. We continue to raise this through a number of fora both locally and nationally.</p> <p>Development sessions have been planned in early 2019 for IJB members in order to take them through the detail of both the health and adult social care budgets for 2019/20. This will enable any potential issues to be discussed in detail prior to the budgets being submitted for approval to the IJB on March 22.</p>	<ul style="list-style-type: none"> • Attendance at board meetings and discussion with management.
4 Compliance with GDPR Requirements	<p>GDPR came into force on 25 May 2018. RIJB approved arrangements to be put in place to comply with the legislation on 29 June 2018.</p> <p>However, these are yet to be fully actioned and therefore there is a risk that RIJB is not complying with the GDPR requirements.</p>	<p>Renfrewshire IJB handles very little, if any, personal data, and the impact on the IJB, as opposed to partner organisations, is anticipated to be limited. Any personal data processed is likely to be held on the information systems owned by Renfrewshire Council or NHS Greater Glasgow and Clyde.</p> <p>A records management plan for the IJB is due to</p>	<ul style="list-style-type: none"> • Monitoring of GDPR arrangements. • Attendance at board meetings and discussion with management.

 Audit Risk	Management's source of assurance	Planned audit work
	be submitted to the Keeper in February 2019 which will detail how IJB records are handled. The NHS and the Local Authority have invested in significant training for staff to ensure compliance with GDPR for personal, sensitive information.	

Source: Audit Scotland, Renfrewshire IJB Management

Reporting arrangements

- 5.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.
- 6.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.
- 7.** We will provide an independent auditor's report to RIJB and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Plan	18 January 2019	25 January 2019
Annual Audit Report	30 September 2019	TBC
Independent Auditor's Report	30 September 2019	TBC

Source: Audit Scotland

Audit fee

- 8.** The proposed audit fee for the 2018/19 audit of RIJB is £25,000 (2017/18: £24,000). In determining the audit fee we have taken account of the risk exposure of RIJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 28 June 2019.
- 9.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

10. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

11. The audit of the financial statements does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

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

14. Following the retirement of David McConnell in December 2018, the appointed auditor for RIJB from January 2019 is John Cornett. John was previously a District Auditor with the Audit Commission and more recently was KPMG's head of local government audit in the Midlands.

Audit scope and timing

Financial Statements

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

16. We will give an opinion on the financial statements as to whether they:

- give a true and fair view, in accordance with applicable law and the 2018/19 Code of the financial position of RIJB as at 31 March 2019 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code.
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

17. We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

18. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

19. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

20. We calculate materiality at different levels as described below. The calculated materiality values for RIJB 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% of gross expenditure for the year ended 31 March 2019 based on the latest budgeted for expenditure for 2018/19. Planning materiality will be updated on receipt of the unaudited annual accounts in June 2019.	£2.817 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 60% of planning materiality.	£1.690 million
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£0.141 million



Source: Audit Scotland

Timetable

21. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee date.

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	28 June 2019
Latest submission date of unaudited financial statements with complete working papers package	28 June 2019
Latest date for final clearance meeting with Chief Financial Officer	Early September 2019
Issue of Letter of Representation and proposed independent auditor's report	By 30 September 2019
Agreement of audited unsigned annual accounts	By 30 September 2019
Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2019
Independent auditor's report signed	By 30 September 2019

Internal audit

22. Renfrewshire IJB's internal audit function is provided by Renfrewshire Council, overseen by the Chief Internal Auditor. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). We will report any significant findings to management on a timely basis.

Using the work of internal audit

23. 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 to avoid duplication.

24. From our initial review of internal audit plans we do not intend to place any formal reliance on the work of internal audit.

Audit dimensions

25. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

26. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

27. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

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

Financial management

28. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether RIJB has arrangements in place to ensure systems of internal control are operating effectively
- whether RIJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how RIJB has assured itself that its financial capacity and skills are appropriate
- whether RIJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

29. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether RIJB can demonstrate that the governance arrangements in place are appropriate and operating effectively.
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

30. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- RIJB can provide evidence that it is demonstrating value for money in the use of its resources.
- RIJB can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- RIJB can demonstrate that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

Independence and objectivity

31. 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.

32. The engagement lead for RIJB is John Cornett, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships

that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of RIJB.

Quality control

33. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

34. 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.

35. 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.

Renfrewshire Integration Joint Board

Annual Audit Plan 2018/19

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