
To: Renfrewshire Integration Joint Board Audit Committee

On: 31 January 2020

Report by: Chief Finance Officer

Subject: Annual Audit Plan 2019/20

1. Summary

- 1.1 The Annual Audit Plan 2019/20 for Renfrewshire Integration Joint Board is submitted for Members' information. The Plan outlines Audit Scotland's planned audit activities for the financial year 2019/20.
- 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.
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2. Recommendations

- 2.1 The Joint Board is asked to note the Annual Audit Plan 2019/20 by Audit Scotland.

Renfrewshire Integration Joint Board

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for Renfrewshire Integration Joint Board

31 January 2020

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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 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 committee meetings and a review of supporting information we have identified the following significant risks for RIJB. 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 2019/20 Significant audit risks

 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>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> Obtain written assurance from the partner bodies over journal entries and testing the completeness, accuracy and allocation of income and expenditure. Perform testing on transactions processed locally by the IJB. Evaluation of significant transactions that are outside the normal course of business.

 Audit Risk	Source of assurance	Planned audit work
Wider dimension risks		
<p>2 Financial sustainability</p> <p>RIJB is facing a number of financial pressures including pay inflation, increasing prescribing costs and increasing service demand.</p> <p>These pressures are expected to continue into 2020/21 and 2021/22, RIJB has projected identified a funding gap of between £11 million and £14 million for this period</p>	<p>Medium Term Financial Plan approved by the IJB in November 2019</p> <p>Budget updates for 2020/21 will identify plans to achieve savings on a recurring basis and also highlight likely future savings challenges. 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> <p>Budget monitoring is a standing report on each IJB agenda, providing an overview of the current financial year. In addition, the annual accounts provide details of the final outturn position.</p> <p>Development sessions and briefings to IJB members are provided throughout the year as required.</p>	<ul style="list-style-type: none"> • Attendance at board meetings • Monitor of performance against savings plans • Monitor service delivery KPIs • Consideration of savings planned for 2020/2021
<p>3 Budget approval</p> <p>RIJB's health budget has not been fully approved prior to start of the financial year for a number of years</p> <p>The approved 2019/20 social care budget paper did not contain the full year budget figures the board were asked to approve, instead only anticipated budget pressures in addition to the 2018/19 budget were included.</p> <p>There is a risk that RIJB members are not receiving timely and detailed information during the budget setting process.</p>	<p>The CFO and CO will work with IJB members and our partners to ensure that future budgets/savings plans are agreed in advance of the financial year end.</p> <p>The IJB should seek formal confirmation from Renfrewshire Council of the full details of the proposed budget for inclusion within the board papers for budget approval.</p>	<ul style="list-style-type: none"> • Attendance at Board meetings and discussions with management

	Audit Risk	Source of assurance	Planned audit work
4	Effectiveness of Governance arrangements <p>The current governance arrangements including the remit of the Audit Committee and the role of the Internal Audit function have not been reviewed since the RIJB was established on 1 April 2016.</p> <p>RIJB has now been in operation for nearly 4 years and it would be appropriate to review the governance arrangements to ensure they remain fit for purpose.</p> <p>Without this review there is the risk that the governance arrangements do not adequately support the RIJB requirements.</p>	<p>Revised Terms of Reference for the Audit Committee have been written by the Head of Administration for the HSCP, with input from both the Chair, Vice Chair, CO, CFO, Head of Internal Audit (Renfrewshire Council) and Clerk to the Committee. These revised TOR's will be presented to the IJB in January for approval</p>	<ul style="list-style-type: none"> Engage with management and monitor progress made to review the current governance arrangements
5	Financial Management – Set Aside <p>The 2018 Scottish Parliament report “Looking ahead to the Scottish Government – Health Budget 2019/20: Is the budget delivering the desired outcomes for Health and Social Care in Scotland?”, concluded that the set aside budget is, generally, not operating as intended.</p> <p>Significantly, the report highlights that there is disconnect between how the set aside budget should operate in principle compared with how it is operating in practice meaning that this mechanism for shifting the balance of care is not being utilised effectively.</p> <p>As the RIJB continues to face significant challenges, there is a need to ensure the continued financial sustainability of the organisation and this will require a significant shift in the spending and services from hospitals to community and social care.</p>	<p>The CFO is continuing to work with the Asst Director of Finance for NHSGGC, the CFO's for the 6 GGC IJB's and Scottish Government to develop an agreed model to take forward.</p>	<ul style="list-style-type: none"> Review the IJB's approach to using the set aside budget, specifically through its engagement with the Health Board to improve set-aside arrangement and report on progress made to date.

Source: Audit Scotland

5. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. For RIJB, we have rebutted the risks of material misstatement caused by fraud in income recognition in 2019/20 due to this

risk being assessed as part of detailed audit work carried out at the partner bodies; Renfrewshire Council and NHS Greater Glasgow and Clyde (NHSGGC).

6. In line with Practise Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. Similarly, for RIJB, we have rebutted the risk of material misstatement caused by fraud in expenditure in 2019/20 due to this risk being assessed as part of detailed audit work carried out at the partner bodies; Renfrewshire Council and NHSGGC.

Reporting arrangements

7. 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.

8. 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.

9. 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

2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	24 January 2020	31 January 2020
Annual Audit Report	11 September 2020 - TBC	18 September 2020 - TBC
Independent Auditor's Report	11 September 2020 - TBC	18 September 2020 - TBC

Source: Audit Scotland

Audit fee

10. The proposed audit fee for the 2019/20 audit of RIJB is £26,560 (2018/19: £25,000). 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 30 June 2020.

11. 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 outwith our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

12. 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.

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

Appointed auditor

14. 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.

15. 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.

Audit scope and timing

Financial Statements

16. 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:

- gaining written assurance over the operations of the partner bodies, Renfrewshire Council and NHS GGC, through the work done by the respective audit teams
- 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.

17. 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 2019/20 Code of the financial position of RIJB as at 31 March 2020 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 2019/20 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.

18. We also review and report on other statutory 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.

19. 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

20. 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.

21. We identify materiality at different levels as described below. The materiality values for RIJB are set out in [Exhibit 3](#).

Exhibit 3 Materiality values



Materiality	Amount
Planning materiality – This is the figure we use to assess the overall impact of audit adjustments on the financial statements. It has been set at approximately 1% of gross expenditure for the year ended 31 March 2020 based on the latest budget for expenditure for 2019/20. Planning materiality will be updated on receipt of the unaudited annual accounts in June 2020.	£3 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 Performance materiality has been set at 60% of planning materiality.	£1.8 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 set at 5% of planning materiality.	£0.150 million



Source: Audit Scotland

Timetable

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

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	30 June 2020
Latest date for IJB to submit unaudited financial statements with complete working papers package	30 June 2020
Latest date for final clearance meeting with Chief Financial Officer	Early September 2020
Issue of Letter of Representation and proposed independent auditor's report	By 30 September 2020

 Key stage	 Date
Agreement of audited unsigned annual accounts	By 30 September 2020
Audit Scotland to issue Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2020
Independent auditor's report signed	By 30 September 2020

Internal audit

23. The role of internal audit is provided by the Chief Internal Auditor for Renfrewshire Council. This role is separate to that of the internal audit function provided to Renfrewshire Council and was agreed by the RIJB on 18 September 2015. 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 the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

24. We will report any significant findings to management on a timely basis.

Using the work of internal audit

25. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. 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

26. 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

27. 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

28. 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) 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
- appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

29. 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;
- can demonstrate the effectiveness of budgetary control systems in communicating accurate and timely financial performance;
- has assured itself that its financial capacity and skills are appropriate;
- has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

30. 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 it has in place are appropriate and operating effectively
- effective scrutiny, challenge and transparency in decision-making, particularly in relation to finance and performance reports
- quality and timeliness of financial and performance reporting.

Value for money

31. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether RIJB can demonstrate that:

- it is providing/demonstrating value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- outcomes are improving
- there is sufficient focus on improvement and the pace of change.

Best Value

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

Independence and objectivity

33. 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.

34. 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

35. 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.

36. 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.

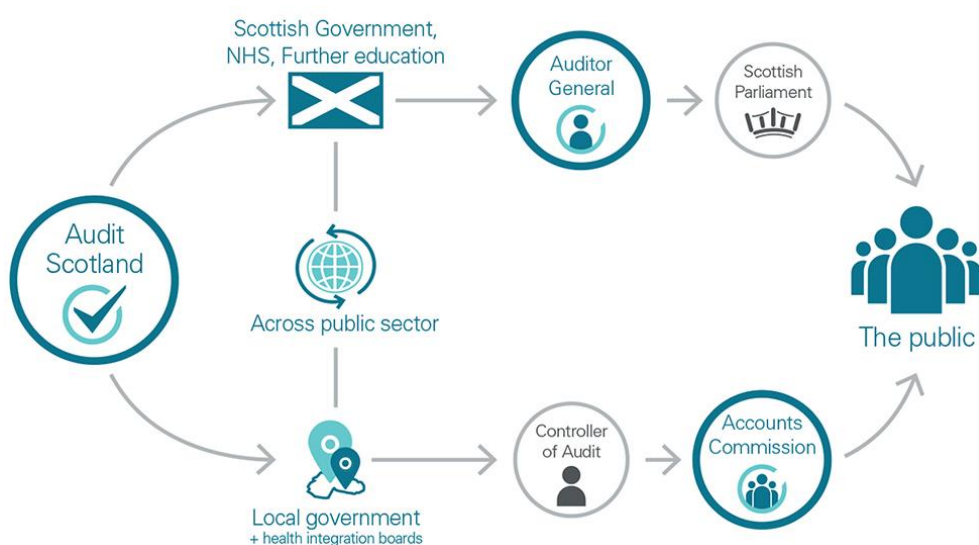
37. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Appendix 1

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.

Renfrewshire Integration Joint Board

Annual Audit Plan 2019/20

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