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| Report To: | Inverclyde Integration Joint Board Audit Committee | Date: 19 March 2019 |
| Report By: | Louise Long, Corporate Director (Chief Officer) Inverclyde Health & Social Care Partnership | Report No: IJB/06/2019/LA |
| Contact Officer: | Lesley Aird | Contact No: 01475 715381 |
| Subject: | EXTERNAL AUDIT – ANNUAL AUDIT PLAN 2018/19 | |

1.0 PURPOSE

- 1.1 The purpose of this report is to present the External Audit Plan for 2018/19, produced by Audit Scotland.

2.0 SUMMARY

- 2.1 Appendix 1 contains the Annual Audit Plan 2018/19 for the IJB prepared by the IJB's External Auditors, Audit Scotland.
- 2.2 Representatives from Audit Scotland will be in attendance at the meeting in order to present the Plan and answer any questions.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the IJB Audit Committee notes the Annual Audit Plan 2018/19.

Louise Long
Chief Officer

Lesley Aird
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The IJB's External Auditors, Audit Scotland, have submitted their plan for the audit of the 2018/19 annual accounts. This plan is attached at Appendix 1.
- 4.2 A representative from Audit Scotland will be in attendance at the meeting in order to present the Plan and answer any questions.

5.0 DIRECTIONS

5.1

| | | |
|--|---------------------------------------|---|
| Direction Required to Council, Health Board or Both | Direction to: | |
| | 1. No Direction Required | X |
| | 2. Inverclyde Council | |
| | 3. NHS Greater Glasgow & Clyde (GG&C) | |
| | 4. Inverclyde Council and NHS GG&C | |

6.0 IMPLICATIONS

6.1 FINANCE

There are no financial implications arising from this report.

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report £000 | Virement From | Other Comments |
|-------------|----------------|--------------|------------------------------------|---------------|----------------|
| N/A | | | | | |

Annually Recurring Costs / (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact £000 | Virement From | Other Comments |
|-------------|----------------|------------------|---------------------------|---------------|----------------|
| N/A | | | | | |

LEGAL

- 6.2 There are no specific legal implications arising from this report.

HUMAN RESOURCES

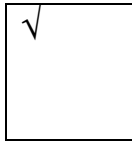
- 6.3 There are no specific human resources implications arising from this report.

EQUALITIES

- 6.4 There are no equality issues within this report.

Has an Equality Impact Assessment been carried out?

YES (see attached appendix)



NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

6.5 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

| Equalities Outcome | Implications |
|---|---------------------|
| People, including individuals from the above protected characteristic groups, can access HSCP services. | None |
| Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated. | None |
| People with protected characteristics feel safe within their communities. | None |
| People with protected characteristics feel included in the planning and developing of services. | None |
| HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do. | None |
| Opportunities to support Learning Disability service users experiencing gender based violence are maximised. | None |
| Positive attitudes towards the resettled refugee community in Inverclyde are promoted. | None |

6.6 CLINICAL OR CARE GOVERNANCE IMPLICATIONS

There are no governance issues within this report.

6.7 NATIONAL WELLBEING OUTCOMES

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

| National Wellbeing Outcome | Implications |
|--|---------------------|
| People are able to look after and improve their own health and wellbeing and live in good health for longer. | None |
| People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community | None |
| People who use health and social care services have positive experiences of those services, and have their dignity respected. | None |
| Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services. | None |
| Health and social care services contribute to reducing health inequalities. | None |

| | |
|--|------|
| People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing. | None |
| People using health and social care services are safe from harm. | None |
| People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide. | None |
| Resources are used effectively in the provision of health and social care services. | None |

7.0 CONSULTATION

- 7.1 The draft plan was circulated by Audit Scotland to the Chief Financial Officer for comment and feedback and shared with the Chief Officer.

8.0 BACKGROUND PAPERS

- 8.1 None.

Inverclyde Integration Joint Board

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

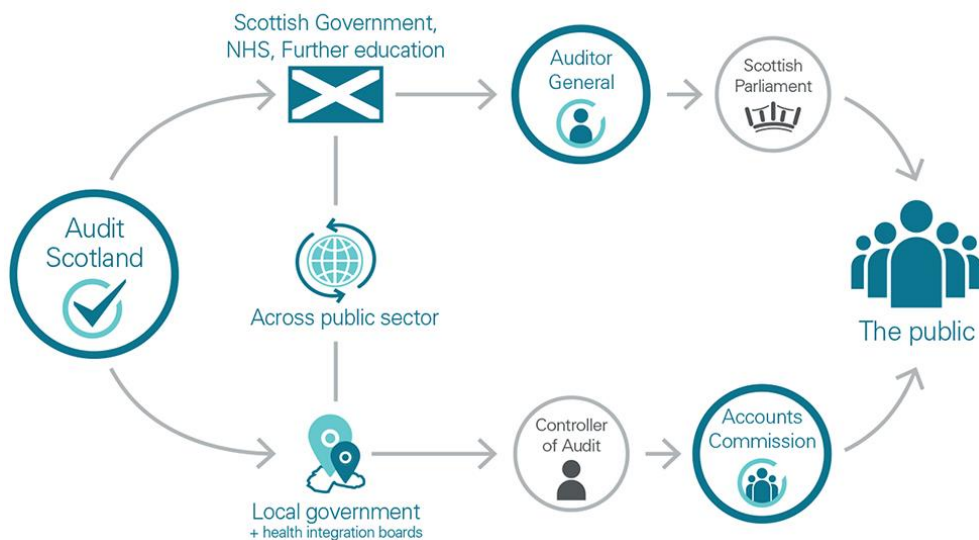
Prepared for Inverclyde Integration Joint Board

February 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.

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 Inverclyde Integration Joint Board (Inverclyde 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 intend to help Inverclyde IJB 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 main risk areas for Inverclyde Integration Joint Board. 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 | 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"> Assurances will be obtained from the auditors of Inverclyde Council and NHS Greater Glasgow and Clyde over the completeness, accuracy and allocation of the income and expenditure. Detailed testing of significant adjustments at year end. Agreement of balances and transactions to Inverclyde Council and NHS Greater Glasgow and Clyde financial reports/ correspondence. |

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 Inverclyde Integration Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland 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 | Committee Date |
|------------------------------|--------------------|------------------------|
| Annual Audit Plan | 22 February 2019 | 19 March 2019 |
| Annual Audit Report | 30 September 2019* | 5 September 2019 (TBC) |
| Independent Auditor's Report | 30 September 2019* | 5 September 2019 (TBC) |

*These dates represent the certification deadline for the 2018/19 IJB accounts. However, we will agree an audit timetable to report the findings from the audit to those charged with governance prior to the certification of the annual accounts, which meets committee timetable when available.

Audit fee

8. The proposed audit fee for the 2018/19 audit of Inverclyde IJB is £25,000 (prior year fee £24,000). In determining the audit fee we have taken account of the risk exposure of IJB, 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 annual accounts, with a complete working papers package by 30 June 2019.

9. 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 out with our planned audit activity.

Responsibilities

Audit Committee and Chief 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 annual accounts 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 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 annual accounts . 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

Annual accounts

14. 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 Inverclyde IJB and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Inverclyde IJB 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.

15. We will give an opinion on whether the financial statements:

- give a true and fair view of the of the state of affairs of Inverclyde IJB as at 31 March 2019 and of the income and expenditure of the IJB for the year then ended;
- have been properly 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Other information in the annual accounts

16. 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.

17. 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

18. 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.

19. We calculate materiality at different levels as described below. The calculated materiality values for Inverclyde IJB 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 budget for 2018/19. | £1.5 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 50% of planning materiality. | £0.75 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 3% of planning materiality, rounded to £50k | £50,000 |



Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates.

Exhibit 4

Annual accounts timetable

|  Key stage |  Date |
|---|--|
| Consideration of unaudited annual accounts by those charged with governance | 25 June 2019 |
| Latest submission date of unaudited annual with complete working papers package | 30 June 2019 |
| Latest date for final clearance meeting with Chief Financial Officer | 31 July 2019 |
| Agreement of audited unsigned annual accounts | By 5 September 2019 |
| Issue of Letter of Representation and proposed independent auditor's report | By 5 September 2019 |
| Issue of Annual Audit Report to those charged with governance | By 5 September 2019 (TBC) |
| Latest date for signing Independent auditor's report | 30 September 2019 |

Internal audit

21. Internal audit is provided by Inverclyde Council. 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

22. 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. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

Audit dimensions

23. 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

24. 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

25. 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 Integration Joint Board'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
- whether Inverclyde IJB can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

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:

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

Governance and transparency

27. 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 Inverclyde IJB 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

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

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

Independence and objectivity

29. 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.

30. The engagement lead (i.e. appointed auditor) for Inverclyde 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 Inverclyde Integration Joint Board.

Quality control

31. 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.

32. 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.

33. 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.

Inverclyde Integration Joint Board

Annual Audit Plan 2018/19

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