

# Aberdeenshire Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for Aberdeenshire Integration Joint Board

March 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.

---

# Contents

---

Risks and planned work	4
Audit scope and timing	9

---

# 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.
- 2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
- 3.** The public health crisis caused by the coronavirus (Covid-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
- 4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of 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. In view of the ongoing uncertainty as lockdown restrictions begin to ease, we will maintain a pragmatic and flexible approach which may result in changes to plans at short notice as we respond to emerging issues and ongoing risks.
- 5.** Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value


- 6.** We aim to add value to the Aberdeenshire Integration Joint Board (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 the IJB promote improved standards of governance, better management and decision making and more effective use of resources.


## Audit risks

- 7.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following significant risks for Aberdeenshire Integration Joint Board. 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

### 2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p> <p>This risk includes the potential for management to influence the results in the financial statements through estimates and judgements. In response to Covid-19, some internal controls were amended to maintain processing levels and, in some instances, this may have increased the opportunity for management override.</p>	<ul style="list-style-type: none"> <li>Owing to the nature of this risk, assurances from management are not applicable in this instance.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate external auditor assurances from the auditors of partner bodies (Aberdeenshire Council and NHS Grampian). Assurances will include:               <ul style="list-style-type: none"> <li>detailed testing of journal entries</li> <li>review of accounting estimates</li> <li>focused testing of accruals and prepayments.</li> </ul> </li> </ul>
<p><b>2 Risk of misstatement of independent family health service practitioners' expenditure</b></p> <p>Payments to primary care contractors are a material and complex account area with payments of around £90m (Aberdeenshire IJB's share of Grampian's total of £250m). Some payment verification activities were suspended as a result of Covid-19 and interim arrangements were put in place, based on past averages, to ensure payments continued to be made to contractors.</p> <p>There is a risk of misstatement in the annual accounts due to the use of some estimates and reduced payment verification checks.</p>	<ul style="list-style-type: none"> <li>Joint review of arrangements for the monitoring of financial performance of family health services contractors between NHS Grampian and IJBs has resulted in the development of a primary care monthly finance report which is shared with the three IJB chief finance officers in Grampian</li> <li>As primary care services remobilise following lockdown and revert to item of service delivery, payment verification processes will gradually be re-introduced in partnership with NHS National Services Scotland.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate external auditor assurances from the auditors of NHS Grampian (partner body).</li> </ul>
<p><b>3 Risk of miscoding of expenditure and income transactions</b></p> <p>The transactions for the IJB are recorded through the partner ledgers of NHS Grampian and Aberdeenshire Council.</p>	<ul style="list-style-type: none"> <li>Assurances from partner bodies on the completeness and accuracy of data</li> <li>Regular/robust budget monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate external auditor assurances from the auditors of partner bodies (Aberdeenshire Council and NHS Grampian) with regard to completeness and accuracy of data.</li> </ul>

 <b>Audit Risk</b>	<b>Source of assurance</b>	<b>Planned audit work</b>
<p>If robust processes are not in place, there is a risk that expenditure and income is miscoded and IJB accounts are misstated.</p>	<ul style="list-style-type: none"> <li>Chief finance officer is also a senior finance officer in a partner body.</li> </ul>	
<p><b>4 Presentation and disclosure of Covid-19 transactions</b></p> <p>As part of the Scottish Government's Covid-19 response, councils have distributed significant amounts of stimulus and sustainability funding. With regard to IJBs, this included payments to care providers such as care homes.</p> <p>Depending on the nature of the arrangement, the IJB/council acts as either a principal or an agent and consequently, different accounting treatment applies:</p> <ul style="list-style-type: none"> <li>as principal – funds should be recorded through the primary financial statements on an accruals basis</li> <li>on an agency basis – material cash receipts and payments should be disclosed as a note to the accounts with an appropriate audit trail (ie such payments are not included in the primary financial statements).</li> </ul> <p>There is a risk that the correct accounting treatment is not applied resulting in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> <li>Sustainability payments to care providers are based on the submission of claims which are subject to local approval controls</li> <li>Based on current understanding, such payments will be included in the IJB's accounts as a principal arrangement.</li> </ul>	<ul style="list-style-type: none"> <li>Confirm the arrangements put in place to implement Scottish Government guidance</li> <li>Develop a testing plan for stimulus packages (details have yet to be confirmed)</li> <li>Review and confirm the accounting treatment for stimulus transactions.</li> </ul>
<p><b>Wider dimension risks</b></p>		
<p><b>5 Financial capacity</b></p> <p>The chief finance officer has dedicated finance support from each of the partner bodies. Due to internal changes in the Aberdeenshire Council finance team, there is a change in the officer allocated to support the IJB. In addition, the chief finance officer has indicated his intention to step down from the role at 30 June 2021. At that point, the IJB's 2020/21 annual accounts will be available but not audited.</p> <p>With alternative arrangements yet to be agreed/embedded, there is a risk that the IJB will not have sufficient financial management arrangements in place.</p>	<ul style="list-style-type: none"> <li>Outcome of discussions between IJB and partner bodies.</li> </ul>	<ul style="list-style-type: none"> <li>Discussions with chief officers.</li> </ul>

**8.** As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud because the IJB's expenditure is processed through the financial systems of Aberdeenshire Council and NHS Grampian i.e. the partner bodies.

**9.** The manipulation of expenditure is therefore deemed to be a risk of the partner bodies rather than the IJB. As part of the audit of the IJB's financial statements, we obtain assurances from the external auditors of the partner bodies over the accuracy and completeness of the transactions relevant to the IJB.

## Reporting arrangements

**10.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs detailed in [Exhibit 2](#), 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).

**11.** 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. We will also undertake follow up audit activity to report progress on our recommendations from previous years.

**12.** We will provide an independent auditor's report to Aberdeenshire Integration Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Chief Officer, the IJB Audit Committee and the Controller of Audit with an annual report containing observations and recommendations on significant matters which have arisen during the audit.

---

## Exhibit 2 2020/21 Audit outputs

Audit Output	Audit Committee Target Date
Annual Audit Report	29 September 2021
Independent Auditor's Report	29 September 2021

\*The impact of lockdown restrictions on the capacity of the audit team and the IJB's finance team will be kept under review. As a result, target dates may be subject to change and if so, the audit committee will be kept informed.

Source: Audit Scotland

---

## Audit fee

**13.** The agreed audit fee for the 2020/21 audit of Aberdeenshire Integration Joint Board is £27,330 (2019/20 £26,560). In determining the audit fee, we have taken account of the identified risks, management assurances and the work of internal audit. Our audit approach assumes that the unaudited annual accounts will be supported by a complete working papers package.

**14.** A supplementary fee may be levied if any additional work is required, for example, due to inadequate working papers or other significant work outwith our planned audit activity is considered necessary

## Responsibilities

### Audit Committee and Chief Finance Officer

**15.** 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.

**16.** The audit of the annual accounts does not relieve management or the IJB Audit Committee as those charged with governance, of their responsibilities.

#### Appointed auditor

**17.** 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.

**18.** 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.

**19.** There has been continuity in the membership of our audit since the date of our initial appointment and a reminder of the details of the current team is included in [Exhibit 3](#).

---

### Exhibit 3 Core Audit Team

Name	Experience
Gillian Woolman FCA CPFA Audit Director ( <i>and certifying auditor</i> )	<ul style="list-style-type: none"> <li>Gillian has worked in the public and private sector, internal and external audit, in the UK and overseas. She is currently chair of the regional strategic board for the Institute of Chartered Accountants in England and Wales and Vice Chair of the CIPFA/LASAAC Local Authority Code Board.</li> </ul>
Anne MacDonald CA Senior Audit Manager	<ul style="list-style-type: none"> <li>Anne has overall control of the delivery and quality of the audit including audit engagement and ensuring the audit is properly planned, resourced and concluded within time.</li> <li>She has extensive public sector experience covering both financial audit and best value audit. She also has a lead role for local government matters in Audit Scotland which includes reporting emerging issues to the Accounts Commission.</li> </ul>
Adebayo Ladejobi CA Auditor	<ul style="list-style-type: none"> <li>Adebayo joined Audit Scotland's graduate training programme in 2015 and qualified as a Chartered Accountant (CA) with the Institute of Chartered Accountants of Scotland in 2019. He had previously qualified as a CA in Nigeria.</li> </ul>



# Audit scope and timing

## Financial Statements

**20.** The statutory 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 Aberdeenshire Integration Joint Board 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 these will be included 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.

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

- give a true and fair view in accordance with applicable law and the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the 2020/21 Code) of the state of the affairs of the IJB as at 31 March 2021 and of the income and expenditure of the board for the year then ended
- have been properly prepared in accordance with the financial reporting framework
- 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Statutory other information in the annual accounts

**22.** We review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report, and carry out the following work:

- we give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks
- the content of the annual report is reviewed for consistency with the financial statements and with our knowledge
- we report any uncorrected material misstatements in statutory other information.

## Materiality

**23.** 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 approach, and in considering the level of uncorrected error which might be permitted in the financial statements without an adverse impact on our opinions in the independent auditor's report

24. We calculate materiality at different levels as described below. The calculated materiality values for Aberdeenshire Integration Joint Board are set out in [Exhibit 4](#).

## Exhibit 4 Materiality values



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 1.5% of gross expenditure for the year ended 31 March 2021 based on the latest audited accounts.	£5.4m
<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 calculated performance materiality at 60% of planning materiality.	£3.2m
<b>Reporting threshold (i.e. 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 subject to a maximum limit of £250,000.	£250,000

Source: Audit Scotland

## Timetable

25. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us. Based on current discussions, [Exhibit 5](#) sets out the proposed timetable agreed with the Chief Finance Officer.

## Exhibit 5 Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance (ie the Audit Committee)	23 June 2021
Submission of unaudited annual report and accounts with complete working papers package	By 30 June 2021
Latest date for final clearance meeting with Chief Finance Officer	W/c 6 September 2021
Agreement of audited unsigned annual accounts	17 September 2021
Issue of Annual Audit Report and audited accounts to the Audit Committee	22 September 2021
Planned approval of audited financial statements for signature, and consideration of Annual Audit Report by the Audit Committee	29 September 2021
Independent auditor's report signed	29 September 2021

## Internal audit

26. Internal audit is provided by the Interim Chief Internal Auditor at Aberdeenshire 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 the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK) 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This assessment routinely includes:

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

### Using the work of internal audit

**27.** International Standards on Auditing 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.

**28.** We are also the external auditors for Aberdeenshire Council and NHS Grampian and, consequently, we plan to take assurance from our reviews of internal audit carried out in connection with our audits of the council and the NHS board respectively. With regard to NHS Grampian, we concluded that the internal audit function operates in accordance with PSIAS which enables us to place reliance on their work. Our review in respect of Aberdeenshire Council internal audit is ongoing and we will report our findings to management in due course.

**29.** Sharing arrangements have been put in place between the internal auditors of the IJB, Aberdeenshire Council and NHS Grampian. Where there is a direct relationship between the internal audit work carried out in the partner bodies and the IJB, the relevant report will be shared with the IJB audit committee.

**30.** Having considered 2020/21 plans, we propose to use the work of internal audit (including partner internal audit) in the following areas to inform our wider scope responsibilities and to assist our review of the annual governance statement:

- hosted services
- adult support and protection
- mental health and substance misuse
- learning disabilities
- financial assessments
- NHS Grampian's governance statement.

### Audit dimensions

**31.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 6](#).

## Exhibit 6 Audit dimensions



### Financial sustainability

**32.** 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

**33.** 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 Aberdeenshire IJB, working in partnership with its partner bodies:

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

### Governance and transparency

**34.** 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:

- Aberdeenshire IJB can demonstrate that governance arrangements are appropriate and operating effectively
- there is effective scrutiny, challenge and transparency of decision-making and on finance and performance reports
- there is quality and timely financial and performance reporting
- there are robust arrangements in place to support the annual governance statement.

### Value for money

**35.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the IJB can demonstrate:

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

### Best Value

**36.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. Our review of these arrangements will include a follow up on progress being made to develop measurable outcomes and targets to support the Strategic Plan 2020-25.

## Independence and objectivity

**37.** 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.

**38.** The engagement lead (i.e. appointed auditor) for Aberdeenshire IJB is Gillian Woolman, 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 Aberdeenshire Integration Joint Board

## Quality control

**39.** 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.

**40.** 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 Accounts Commission. 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.

**41.** 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.

# Aberdeenshire Integration Joint Board

## Annual Audit Plan 2020/21

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

For the latest news, reports and updates, follow us on:



Audit Scotland, The Annexe, Woodhill House, Westburn Road, Aberdeen AB16 5GB  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)