

Angus Integration Joint Board

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for Angus Integration Joint Board
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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 external audit of the Angus Integration Joint Board (the Board). The main elements of our work include:

- an audit of the Annual Accounts, and provision of an Independent Auditor's Report
- an audit opinion on other statutory information published within the Annual Accounts including the Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements.

2. The audit team remains unchanged for 2023/34. Pauline Gillen will continue as the external auditor appointed by the Accounts Commission.

Respective responsibilities of the auditor and the Board

3. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the Board. Key responsibilities are summarised below.

Auditor responsibilities

4. 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.

5. 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 Board to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Board's responsibilities

6. The Board is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

7. The Board also has 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 it to deliver its objectives.

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

Communication of fraud or suspected fraud

9. In line with the ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this plan we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. During our audit, should members of the Board have any such knowledge or concerns relating to the risk of fraud within it, we invite them to communicate this to us for our consideration. Similar assurances will also be sought as part of the audit completion process.

Adding value

10. We aim to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. We also attend meetings of the Board's Audit Committee and actively participate in discussions relevant to the audit. In so doing we intend to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

Annual accounts

11. The annual accounts are an essential part of demonstrating the Board's stewardship of resources and its performance in the use of those resources.

12. Our approach to the audit of the 2023/24 financial statements has been designed to support the appointed auditor's opinion as to whether the annual accounts give a true and fair view of Board's finances for the year ended 31 March 2024, and have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Materiality

13. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

14. We have assessed the different materiality levels as described in [Exhibit 1](#).

Exhibit 1

Materiality levels for the 2023/24 audit

Materiality	Amount
Planning materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It is set based on our assessment of the needs of the users of the financial statements and the nature of the Board's operations. For the year ended 31 March 2024 we have set our materiality at 2 per cent gross of gross expenditure based on the audited financial statements for 2022/23.	£4.2 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75 per cent of planning materiality.	£3 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.2 million

Source: Audit Scotland

Significant risks of material misstatement for the 2023/24 Annual Accounts

15. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

16. Our risk assessment draws on our cumulative knowledge and consideration of major transaction streams, key systems of internal control and risk management processes. It is also informed by our discussions with management, internal audit, attendance at committees and review of other relevant information.

17. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

18. Based on our risk assessment process, we identify significant risks of material misstatement to the financial statements. These are the risks which have the greatest impact on our planned audit procedures. For 2023/24 we have only identified one such risk to the annual accounts. This is shown in [Exhibit 2](#) which summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

Significant risks of material misstatement for the 2023/24 financial statements

Significant risk of material misstatement	Sources of management assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</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 NHS Tayside and Angus Council over the completeness accuracy and allocation of income and expenditure. Agreement of balances and transactions to financial reports / ledger NHS Tayside and Angus Council. Detailed testing of any significant year-end adjustments. Evaluate any significant unusual transactions outside the normal course of business.

Source: Audit Scotland

Consideration of the risks of fraud in the recognition of revenue and expenditure

19. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. The Board is wholly funded by NHS Tayside and Angus Council. We assess that the risk of material misstatement arising from fraud over income is limited. We have therefore rebutted the risk of fraud over income.

20. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Due to the nature of the Board's expenditure and assurances from the host bodies, we have also rebutted the risk of material misstatement due to fraud in expenditure.

21. Assurances over the accuracy and completeness of the Board's transactions will be obtained from the auditors of Angus Council and NHS Tayside.

22. As a result, our audit plan does not include any specific work in these areas in addition to our standard audit procedures.

Other areas of audit focus

23. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

24. The specific area of audit focus identified is:

- **Large Hospital Set Aside and Mental Health Services estimates:** The calculation of amounts attributable to these key areas involves significant management estimation and judgement which increases the risk of material misstatement. Our audit work will include evaluating the robustness of the methodologies for determining each of these costs.

Audit of the Management Commentary, Annual Governance Statement and Remuneration Report

25. In addition to the appointed auditor's opinion on the financial statements, the Accounts Commission prescribes that the appointed auditor should provide opinions as to whether the Management Commentary, Governance Statement, and audited part of the Remuneration Report, have been compiled in accordance with the

appropriate regulations and frameworks and are consistent with the financial statements.

26. To inform these opinions we will consider whether the disclosures within each statement comply with the applicable guidance and confirm that relevant information reflects the contents of the financial statements and other supporting documentation.

27. Based on our knowledge of the audit, and the established procedures in place to produce these statements, we have not identified any specific risks to be communicated to those charged with governance from our planning work.

Wider Scope and Best Value

Introduction

28. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

29. In summary, the four wider scope areas are:

- **Financial management:** this means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability:** as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. The Board and its partners continue to face significant financial pressures from real term funding reductions and increasing demand. There is a risk that the Board, in partnership with NHS Tayside and Angus Council, may not be able to identify sustainable savings measures or meet cost pressures as they arise. We will comment on planning for financial sustainability in the medium and longer term.
- **Vision, leadership and governance:** we conclude on the arrangements in place to deliver the vision, strategy and priorities adopted by the Board. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes:** we will consider how the Board demonstrates economy, efficiency, and effectiveness through the use of financial and other resources, including its workforce. There is a risk that the Board may not be able to deliver services due to current workforce capacity issues.

30. Our planned work on the wider scope areas is risk based and proportionate, and in addition to local risks, we may be asked by the Accounts Commission to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years such as climate change.

31. Progress on the outstanding recommendations identified in prior years will be followed-up with management during the audit.

Duty of Best Value

32. Auditors have a duty to be satisfied that bodies that fall within section 106 of the 1973 Act have made proper arrangements to secure Best Value. We will consider how the Board demonstrates that it is meeting its Best Value responsibilities, and we will report our findings as part of our Annual Audit Report.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

33. 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 officers to confirm factual accuracy, prior to the issue and publication of final reports.

34. We will provide:

- an Independent Auditor's Report to the Board and the Accounts Commission setting out our opinions on the annual accounts
- the Board and Accounts Commission with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

35. [Exhibit 3](#) outlines the target dates for our audit outputs set by the Accounts Commission. In determining the target reporting date, due regard is paid to the date of 30 September for approving the annual accounts, as set out in regulations, with publication of the signed accounts no later than 31 October.

36. We may not be able to achieve the target date outlined above. This reflects the decision of Audit Scotland management that priority should be given to completion of Council audits, including Angus Council, and those audits that require to be completed by 30 September to provide assurance for related audited bodies in 2023/24.

37. We acknowledge that this planned timetable is determined by the availability of the audit process and not by the Board which proposes to present its 2023/24 Annual Accounts for audit by 30 June 2024.

38. The Accounts Commission has committed that local government audits in Scotland should return to pre-Covid sign-off dates over the course of the current audit appointment. We will work towards delivering the audit and audit outputs by target dates over the period of the audit appointment.

Exhibit 3

2023/24 audit outputs

Audit Output	Target date	Audit Committee date
Annual Audit Plan	31 March 2024	24 April 2024
Independent Auditor's Report	30 September 2024	TBD
Annual Audit Report	30 September 2024	TBD

Source: Audit Scotland



39. All Annual Audit Plans, the other outputs detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

Timetable

40. To support an efficient audit, it is critical that a timetable is agreed with management for the production and audit of the annual accounts. A proposed timetable for the 2023/24 annual accounts audit has been discussed with management and is shown in [Exhibit 4](#).

Exhibit 4

Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited 2023/24 Annual Accounts by those charged with governance.	26 June 2024
Latest submission date for the receipt of the unaudited Annual Accounts with complete working papers package	30 June 2024
Latest date for final clearance meeting with the Chief Finance Officer	TBD
Issue of proposed Annual Audit Report, to those charged with governance (along with draft letter of representation and proposed independent auditor's report)	TBD
Audit Committee meeting to approve and sign the audited 2023/24 Annual Accounts	TBD
Independents auditor's report certified by appointed auditor and Annual Audit Report finalised and issued.	TBD

Source: Audit Scotland

Audit fee

41. In determining the audit fee, we have taken account of the risk exposure of the Board and the planned management assurances in place. The agreed audit fee for 2023/24 is £33,360 (£31,470 in 2022/23).

42. In setting the fee we have assumed that the Board has effective governance arrangements and will prepare comprehensive and accurate annual accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year. Where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

43. It is the responsibility of the Board to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work. The Board's internal audit function is provided by Fife, Tayside and Forth Valley Audit and Management Services (FTF), supported by Angus Council's internal audit section, and overseen by FTF's Chief Internal Auditor. We have reviewed internal audit's plan as part of our planning process. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will consider internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

44. Auditors appointed by the Auditor General for Scotland or 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.

45. 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 Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

46. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. The appointed auditor for the Board is Pauline Gillen, Audit Director. We are not aware of any such relationships pertaining to the audit of the Board.

Audit Quality

47. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

48. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance

with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

49. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

50. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

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

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