

# North Lanarkshire Integration Joint Board Annual Audit Plan



 AUDIT SCOTLAND

Prepared for North Lanarkshire Integration Joint Board  
March 2024

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# Introduction

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## Summary of planned audit work

1. I, John Boyd, have been appointed by the Accounts Commission as external auditor of North Lanarkshire Integration Joint Board (North Lanarkshire IJB) for the period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of my five-year audit appointment.

2. This document summarises the work plan for my 2023/24 audit. The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on other statutory information published with the financial statements in the annual accounts including the Management Commentary, the Governance Statement, and 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
- review North Lanarkshire IJB's arrangements for preparing and publishing its Annual Performance Report.

## Respective responsibilities of the auditor and Audited Body

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

### Auditor responsibilities

4. My responsibilities as appointed auditor 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 wider scope arrangements in place at the North Lanarkshire IJB. In doing this, we aim to support improvement and accountability.

## North Lanarkshire IJB and Chief Officer responsibilities

**6.** North Lanarkshire IJB is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and fair view. They are also required to produce other reports in the annual accounts in accordance with statutory requirements.

**7.** North Lanarkshire IJB has 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 deliver their objectives.

## Adding Value

We aim to add value by: tailoring audit work to the circumstances of North Lanarkshire IJB and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Performance, Finance and Audit Committee; and by recommending and encouraging good practice. In so doing, we will help North Lanarkshire IJB promote improved standards of governance, better management and decision making, and more effective use of resources.

# Annual accounts

## Introduction

8. The annual accounts are an essential part of demonstrating North Lanarkshire IJB's stewardship of resources and its performance in the use of those resources.

The appointed auditor is required to perform an audit of the financial statements, consider other information within the annual accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

Our audit focuses on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

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 the audit to obtain reasonable assurance about whether 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

9. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for North Lanarkshire IJB are set out in [Exhibit 1](#)

## Exhibit 1

### 2023/24 Materiality levels for North Lanarkshire IJB

Materiality	Amount
<p><b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of North Lanarkshire IJB operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.</p>	£14.7 million
<p><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 could indicate that further audit procedures are required. Using our</p>	£11.025 million

professional judgement, we have assessed performance materiality at 75% of planning materiality.

<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.	£735 thousand
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Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**10.** Our risk assessment draws on our cumulative knowledge of North Lanarkshire IJB, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

**11.** 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.

**12.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

### Exhibit 2

#### 2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of</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"> <li>Agreement of balances and transactions to North Lanarkshire Council and NHS Lanarkshire financial reports / ledger / correspondence.</li> <li>Assurances will be obtained from the auditors of NHS Lanarkshire and North Lanarkshire Council over the completeness, accuracy and</li> </ul>

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
management's ability to override controls that otherwise appear to be operating effectively.		<p>allocation of income and expenditure.</p> <ul style="list-style-type: none"> <li>• Review of significant adjustments at year-end where we consider there to be greatest risk of material misstatement through management override of controls.</li> <li>• Review of financial monitoring reports during the year.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements</li> <li>• Evaluate any significant unusual transactions outside the normal course of business.</li> </ul>

Source: Audit Scotland

**13.** 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. We have rebutted this presumed risk in 2023/24 as, while the possibility of fraud exists, we do not judge it to be a significant risk due to the revenue streams coming from the partner bodies of NHS Lanarkshire and North Lanarkshire Council.

**14.** 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 North Lanarkshire IJB's expenditure, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2023/24.

**15.** Assurances over the accuracy and completeness of IJB transactions will be obtained from the auditors of North Lanarkshire Council and NHS Lanarkshire. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

### **Other areas of audit focus**

**16.** As part of our assessment of audit risks, we have not identified any other areas of specific audit focus.



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# Wider Scope and Best Value

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## Introduction

**17.** Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit, and requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

**18.** 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** – we will look ahead to consider whether the body is planning effectively to continue to deliver services, also comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by North Lanarkshire IJB. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how North Lanarkshire IJB demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

## Wider scope risks

**19.** We have not identified any wider scope risks, however we recognise the challenges facing the IJB and the importance of ensuring it strategically plans the delivery of health and social care services within the area in a sustainable way. We will conclude on our wider scope work in our Annual Audit Report

## Best Value

**20.** Auditors have a duty to be satisfied that bodies that fall within section 106 of the Local Government (Scotland) Act 1973 have made proper arrangements to secure Best Value. We will consider how North Lanarkshire IJB 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

**21.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

**22.** We will provide:

- an Independent Auditor's Report to North Lanarkshire IJB and the Accounts Commission setting out our opinions on the annual accounts
- the North Lanarkshire IJB and the 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.

**23.** [Exhibit 4](#) 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 dates for approving the annual accounts set out in regulations of 30 September 2024.

**24.** We plan to issue our Independent Auditor's Report and Annual Audit Report by the target date.

## Exhibit 4 2023/24 Audit outputs

Audit Output	Target date	IJB Committee Date
Annual Audit Plan	31 March 2024	20 February 2024
Independent Auditor's Report	30 September 2024	September 2024
Annual Audit Report	30 September 2024	September 2024

Source: Audit Scotland



**25.** All Annual Audit Plans and the outputs detailed in [Exhibit 4](#), 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).

## Timetable

**26.** To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

**27.** We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

### Exhibit 5 Proposed annual accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	June 2024
Latest date for final clearance meeting with the Director of Finance (or equivalent)	13 September 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	20 September 2024
Agreement of audited and unsigned annual accounts	20 September 2024
Issue of Annual Audit Report to those charged with governance.	By 30 September 2024
Signed Independent Auditor's Report	By 30 September 2024

Source: Audit Scotland

## Audit fee

**28.** In determining the audit fee, we have taken account of the risk exposure of North Lanarkshire IJB and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The proposed audit fee for 2023/24 is £33,360 as set out in [Exhibit 6](#).

### Exhibit 6 Audit fees (including VAT)

Fee component	Fees (£)
External Auditor Remuneration	36,150
Pooled costs	1,320

Fee component	Fees (£)
Contribution to Performance and Best Value	7,720
Sectoral Cap Adjustment	(11,830)
<b>Total 2023/24 fee</b>	<b>33,360</b>

Source: Audit Scotland

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**29.** In setting the fee for 2023/24, we have assumed that North Lanarkshire IJB has effective governance arrangements and will prepare a comprehensive and accurate set of 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 and where our audit cannot proceed as planned, a supplementary fee may be levied.

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# Other matters

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## Internal audit

**30.** North Lanarkshire IJB's internal audit function is provided jointly by the internal audit teams of NHS Lanarkshire and North Lanarkshire Council.

**31.** While we are not planning to place formal reliance on the work of internal audit in 2023/24, we may consider aspects of internal audit's work in respect of our wider audit dimension responsibilities.

## Independence and objectivity

The audit team are independent of North Lanarkshire IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

**32.** Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard 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.

The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of North Lanarkshire IJB.

## Audit Quality

**33.** 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](#).

**34.** 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.

**35.** 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.

**36.** 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.

**37.** Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

# North Lanarkshire IJB

## Annual Audit Plan 2023/24

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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