Dumfries and Galloway Integration Joint Board

Annual Audit Plan 2024/25

Prepared for Dumfries and Galloway Integration Joint Board
February 2025

Contents

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Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of Dumfries and Galloway Integration Joint Board's annual accounts. It outlines the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance.

Appointed auditor and independence

2. Fiona Mitchell-Knight, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Dumfries and Galloway Integration Joint Board for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. Fiona Mitchell-Knight and the audit team are independent of Dumfries and Galloway Integration Joint Board 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. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of Dumfries and Galloway Integration Joint Board to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- 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 opinion on statutory other information published with the financial statements in the annual accounts, the Management Commentary, and the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.
- Conclusions on Dumfries and Galloway Integration Joint Board's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on Dumfries and Galloway Integration Joint Board's arrangements for securing Best Value.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of Dumfries and Galloway Integration Joint Board and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on Dumfries and Galloway Integration Joint Board's arrangements in place for the wider scope areas.

Dumfries and Galloway Integration Joint Board's responsibilities

8. Dumfries and Galloway Integration Joint Board has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of Dumfries and Galloway Integration Joint Board are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for Dumfries and Galloway Integration Joint Board

Materiality	DGIJB
Materiality – based on an assessment of the needs of users of the financial statements and the nature of Dumfries and Galloway Integration Joint Board's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£10.365 million
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality.	£7.775 million

Materiality	DGIJB
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£0.5 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of Dumfries and Galloway Integration Joint Board, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in Exhibit 2, page 7. These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to Dumfries and Galloway Integration Joint Board and those charged with governance, where relevant.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Obtain assurances from the auditors of NHS Dumfries and Galloway and Dumfries and Galloway Council over the completeness, accuracy and allocation of income and expenditure. • Evaluate any significant unusual transactions outside the normal course of business.

Source: Audit Scotland

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

17. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Chief Finance Officer responsibilities for signing the annual accounts

19. The Chief Finance Officer of the IJB will retire at the end of June 2025. The IJB should ensure that appropriate arrangements are introduced for the signing of the 2024/25 annual accounts by the Chief Finance Officer at the end of September 2025.

Wider scope and Best Value

Introduction

20. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on Dumfries and Galloway Integration Joint Board's being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering Dumfries and Galloway Integration Joint Board's medium- to longer-term planning for service delivery.

- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.

- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering Dumfries and Galloway Integration Joint Board's arrangements for ensuing resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

21. A conclusion on the effectiveness and appropriateness of arrangements Dumfries and Galloway Integration Joint Board has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Duty of Best Value

22. The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Best Value in public services: guidance for Accountable Officers is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

23. Consideration of the arrangements Dumfries and Galloway Integration Joint Board has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements Dumfries and Galloway Integration Joint Board has in place will be reported in the Annual Audit Report.

Significant wider scope and Best Value risks

24. The risk assessment process has identified one significant risk in the wider scope areas and Best Value as outlined in Exhibit 3, and this includes the planned audit procedures in response to the risks.

Exhibit 3
Significant wider scope and Best Value risk

Description of risk	Planned audit response
Financial sustainability In recent years the IJB has achieved short-term financial balance. However, it continues to be faced with significant financial challenges over the medium and longer-term financial sustainability due to the uncertainty over future Scottish Government funding allocations, workforce pressures and the rising cost of inflation. The 2024/25 financial plan was presented to the IJB Board in April 2024. The plan identified a forecast deficit of £20.079 million, after the deduction of a savings target of £20.857 million and planned use of IJB reserves of £1.008 million. The 2024/25 Quarter 2 financial performance update report presented to the IJB Board meeting in December 2024 highlights that, as at the end of September 2024, the forecast deficit of £20.079 million has worsened and is projected to be £21.008 million. The report confirms that it has been assessed that all of the IJB's £8.8 million reserves carried forward from 2023/24 will require to be used to support the year end deficit.	The audit team will: • Review financial monitoring reports to assess the financial position, including progress in realising efficiency savings by each partner. • Review updates to financial plans to assess the short and medium-term financial sustainability of the IJB.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

25. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to Dumfries and Galloway Integration Joint Board and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to Dumfries and Galloway Integration Joint Board and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

26. The matters to be reported in the outputs will be discussed with Dumfries and Galloway Integration Joint Board for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual accounts.

27. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the target date for approving the annual accounts, which is 30 September 2025 for local government bodies.

28. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2025.

Audit timetable

29. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. Exhibit 4 includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with Dumfries and Galloway Integration Joint Board and reported to those charged with governance, where required.

Exhibit 4
2024/25 audit timetable

Audit activity	Dumfries and Galloway Integration Joint Board target date	Audit team target date	Audit, Risk and Governance Committee date
Issue of Annual Audit Plan		31 March 2025	25 February 2025
Annual accounts:			
• Consideration of unaudited annual accounts by those charged with governance	24 June 2025		24 June 2025
• Submission of unaudited annual accounts and all working papers to audit team	By 30 June 2025		
• Latest date for audit clearance meeting		8 September 2025	16 September 2025
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report **	23 September 2025	9 September 2025	16 September 2025
• Agreement of audited and unsigned annual accounts **	23 September 2025	9 September 2025	
• Approval by those charged with governance and signing of audited annual accounts	23 September 2025		16 September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report		23 September 2025	

** - these reports will be presented to the meeting of the IJB Board on 23 September 2025 where the audited and unsigned 2024/25 annual accounts will be approved by those charged with governance.

Source: Audit Scotland

Audit fee

30. Dumfries and Galloway Integration Joint Board's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is £34,000 (2023/24: £33,360).

31. In setting the audit fee, it is assumed that Dumfries and Galloway Integration Joint Board has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

32. Dumfries and Galloway Integration Joint Board is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

33. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. We will review the internal audit plan for 2024/25 and the results of internal audit's work. While we are not planning to place formal reliance on the work of internal audit in 2024/25, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Audit quality

34. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the Audit Scotland website.

35. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 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. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant

judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

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

37. 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 monitors on a regular basis by Audit Scotland's Quality and Ethics Committee.

38. Audit Scotland may periodically seek the views of Dumfries and Galloway Integration Joint Board on the quality of audit services provided. The audit team would also welcome feedback at any time.

Dumfries and Galloway Integration Joint Board

Annual Audit Plan 2024/25

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