Edinburgh Integration Joint Board

Annual Audit Plan 2024/25

AUDIT SCOTLAND

Prepared for Edinburgh Integration Joint Board

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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 Edinburgh Integration Joint Board's (EIJB) annual report and accounts. It outlines the 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. Michael Oliphant, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Edinburgh IJB 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. The appointed auditor and audit team are independent of EIJB 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 EIJB 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 Performance Report, and the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.
- Conclusions on EIJB's arrangements in relation to four wider scope areas outlined in the Code of Audit Practice: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on EIJB's arrangements for securing Best Value.
- An Annual Audit Report setting out significant matters identified from the audit of the annual report and 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 EIJB 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 report and accounts, and concluding on EIJB's arrangements in place for the wider scope areas.

Edinburgh Integration Joint Board's responsibilities

8. EIJB 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 report and accounts

Introduction

9. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements.. 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 EIJB are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for Edinburgh Integration Joint Board

Materiality	Audited body
Materiality – based on an assessment of the needs of users of the financial statements and the nature of EIJB'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.	£19.8 million

Materiality	Audited body
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 70% of planning materiality.	£13.9 million
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£400,000

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 EIJB, 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. 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 during the course of the audit. Where such changes occur, these will be reported to EIJB 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
1. 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: • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Request and review assurances from the auditors of NHS Lothian and The City of Edinburgh Council in line with the Protocol for Auditor Assurance 2024/25 - Integration Joint Boards issued by Audit Scotland.

Risk of material misstatement	Planned audit response
2. Transactions with partner bodies We identified and reported errors in transactions with partner bodies in previous years. Audit adjustments were processed to correct these errors and confirm that the IJB's income and expenditure agreed with those reported by partner bodies. There is a risk that transactions with partner bodies are materially misstated in the unaudited annual accounts.	The audit team will: • Request and review assurances from the auditors of NHS Lothian and The City of Edinburgh Council in line with the Protocol for Auditor Assurance 2024/25 - Integration Joint Boards issued by Audit Scotland. • Agree transactions with partner bodies to year end letters issued by NHS Lothian and The City of Edinburgh Council from the Director of Finance and Service Director, Finance and Procurement respectively. • Agree transactions with partner bodies to NHS Lothian's audited annual accounts and liaise with the auditors of The City of Edinburgh Council's unaudited annual accounts to confirm transactions are accurate and consistent. • Agree related party disclosures are consistent with the figures reported in the Comprehensive Income and Expenditure Statement.
3. Disclosures in the unaudited accounts Our prior year audit identified presentational adjustments which were corrected in the audited accounts. These included disclosures in the IJB's Management Commentary, Remuneration Report and related party disclosures. We reported that some information was incomplete, inaccurate or not presented in accordance with guidance. There is a risk that incomplete and inaccurate disclosures are included in the unaudited annual accounts.	The audit team will: • Agree related party disclosures are consistent with the figures reported in the Comprehensive Income and Expenditure Statement. • Review management's arrangements for secondary checks to improve the accuracy of the unaudited accounts and compliance with guidance. • Review the Management Commentary to ensure it provides a clear and balanced narrative on the performance of the IJB during the year. • Confirm further work has been undertaken to improve the Annual Governance Statement

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.

Wider scope and Best Value

19. 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 broadens the audit of the annual accounts to include consideration of additional aspects or risks in four areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on EIJB 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 EIJB'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 EIJB's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

20. A conclusion on the effectiveness and appropriateness of arrangements EIJB has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Best Value

21. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973, which EIJB does.

22. Consideration of the arrangements EIJB has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements EIJB has in place will be reported in the Annual Audit Report.

Significant wider scope and Best Value risks

23. The risk assessment process has identified significant risks 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 risks

Description of risk	Planned audit response
1. Financial management and sustainability The IJB continues to face significant future financial pressures with the medium-term financial strategy (MTFS) estimating an increase in the funding gap to £105 million by 2027/28, if no action is taken. The most recent financial reporting to the board in February 2025 showed that against a revised annual budget for 2024/25 of £919 million, there is a forecast overspend of £20 million. The IJB is facing significant financial challenges and relies on additional funding from partners to achieve a breakeven position. Continuing to deliver financial balance will mean cuts to service levels, and could involve stopping and/ or reducing services, reducing the workforce and more people being delayed in hospitals which brings the risk of partners being unable to meet their statutory obligations. In March 2025, a new Chief Officer will be in post which will be the third permanent chief officer in less than two years. Instability in leadership further contributes to the difficult context for financial and service planning.	The audit team will: • Monitor the forecast outturn as the year progresses. • Consider the findings and recommendations from the internal audit review of financial monitoring, reporting and oversight.

2. Social care system (Swift) The City of Edinburgh Council's social care system (Swift) is no longer fit for purpose. Swift is also a source of financial information for the IJB's financial statements. The project to replace Swift started in August 2024 and is expected to take two years to complete. Relying on legacy systems increases the risk of IT application failure, data quality issues and cyber-attacks.	The audit team will: • Request assurances from the auditors of City of Edinburgh Council on their assessment of the Council's ICT environment. • Liaise with the auditors of City of Edinburgh Council and monitor progress with implementation of the replacement social care operating system. • Consider the findings and recommendations from City of Edinburgh Council internal audit's agile review of progress with designing, implementing, and rolling out the new social care operating system throughout the duration of the project.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

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

- The Annual Audit Plan.
- An Independent Auditor's Report to EIJB and the Accounts Commission setting out opinions on the annual report and accounts.
- An Annual Audit Report to EIJB 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 appropriate.

25. The matters to be reported will be discussed with EIJB 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 report and accounts.

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

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

Audit timetable

28. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to the 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 EIJB and reported to those charged with governance, where required.

Exhibit 4
2024/25 audit timetable

Audit activity	EIJB target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan		25 February 2025	4 March 2025
Annual accounts:			
• Consideration of unaudited annual accounts by those charged with governance	18 June 2025		18 June 2025
• Submission of unaudited annual accounts and all working papers to audit team	30 June 2025		
• Latest date for audit clearance meeting	28 August 2025	28 August 2025	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		8 September 2025	15 September 2025
• Agreement of audited and unsigned annual accounts	8 September 2025	8 September 2025	
• Approval by those charged with governance	15 September 2025		15 September 2025
• Approval by EIJB Board and signing of audited annual accounts	30 September 2025		30 September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report		30 September 2025	

Source: Audit Scotland

Audit fee

29. EIJB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The confirmed audit fee for the 2024/25 audit is £34,000. In setting the audit fee, it is assumed that EIJB has effective governance arrangements in place and the complete annual report and 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

30. EIJB 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.

31. 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

32. 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.

33. 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.

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.

34. Audit Scotland may periodically seek the views of EIJB on the quality of audit services provided. The audit team would also welcome feedback at any time.

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