



Annual Audit Plan

Argyll and Bute Integration Joint Board Year ending 31 March 2024

Members of the Audit and Risk Committee

Argyll and Bute Integration Joint Board

Kilmory

Lochgilphead

PA31 8RT

7 June 2024

Dear Audit and Risk Committee Members,

Annual Audit Plan – Year ending 31 March 2024

We are pleased to present our Annual Audit Plan for the Argyll and Bute Integration Joint Board (the IJB) for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the IJB which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0191 383 6339.

Yours faithfully,

Mark Outterside

Forvis Mazars

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This document is to be regarded as confidential to Argyll and Bute Integration Joint Board. It has been prepared for the sole use of Audit and Risk Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Engagement and responsibilities summary



Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of the IJB for the year to 31 March 2024. The scope of our engagement is set out in the Code of Audit Practice, issued by the Auditor General and the Accounts Commission available from the Audit Scotland website: [Code of audit practice | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk). Our responsibilities are principally derived from the Local Government (Scotland) Act 1973 (the 1973 Act) and the Code of Audit Practice, as outlined below and overleaf.

Engagement area	Responsibilities
 Audit opinion	We are responsible for forming and expressing an independent opinion on whether the financial statements are prepared, in all material respects, in accordance with all applicable statutory requirements. Our audit does not relieve management or the Audit and Risk Committee, as Those Charged With Governance, of their responsibilities. The Chief Financial Officer is responsible for the assessment of whether it is appropriate for the IJB to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements.
 Internal control	Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IJB’s internal control.

Engagement and responsibilities summary (continued)

Overview of engagement (continued)

Engagement area	Responsibilities
 Fraud	The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting. As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal audit, as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.
 Wider scope and Best Value	We are also responsible for reviewing and reporting on the wider scope arrangements that the IJB has in place and its arrangements to secure Best Value. We discuss our approach to wider scope and Best Value work further in section 5 of this report.

Your audit engagement team



Your audit team

Below is your audit engagement team and their contact details.

Mark Outterside

Gregory Oduor

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Engagement Leader

Engagement Manager

Team Leader

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Audit scope, approach, and timeline



Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

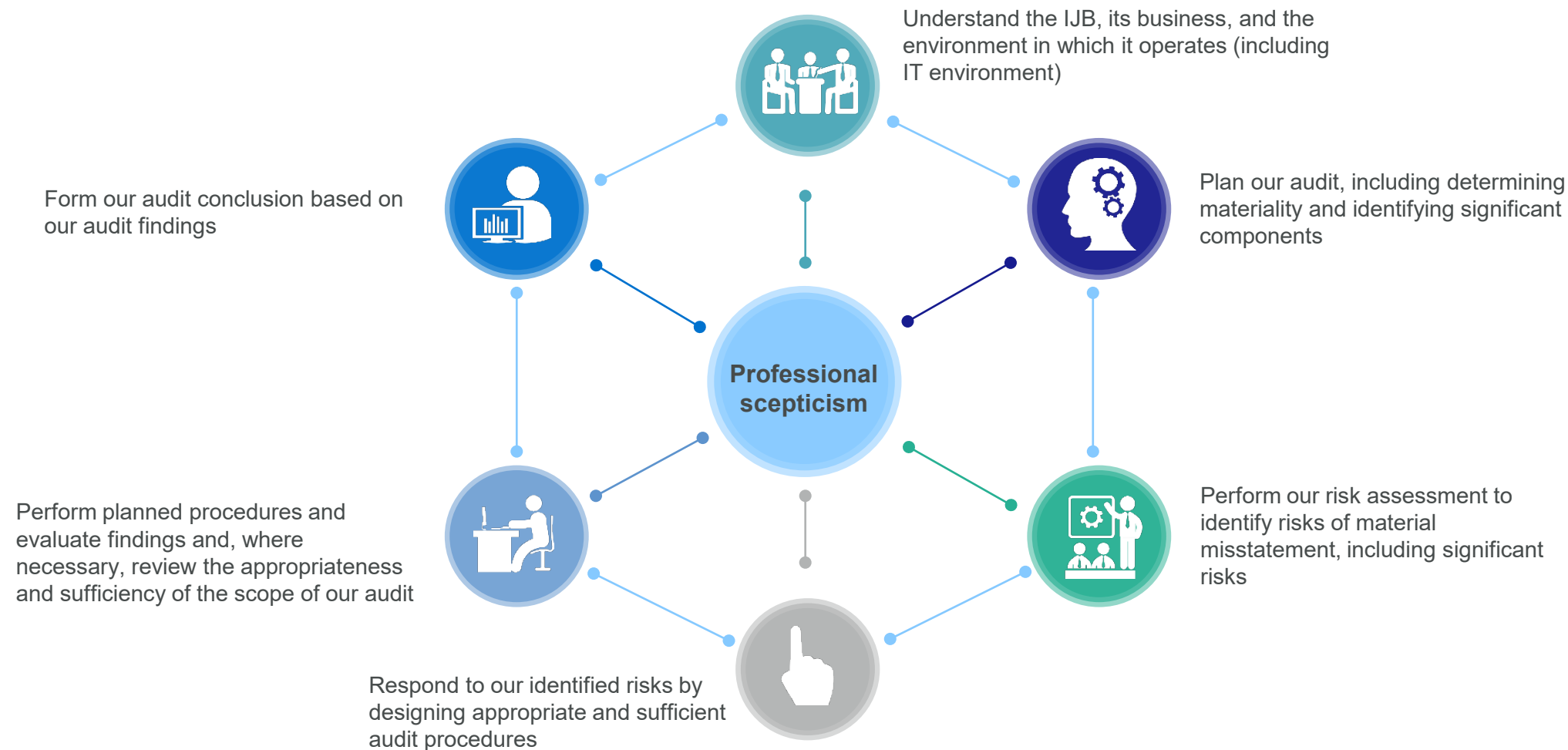
If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

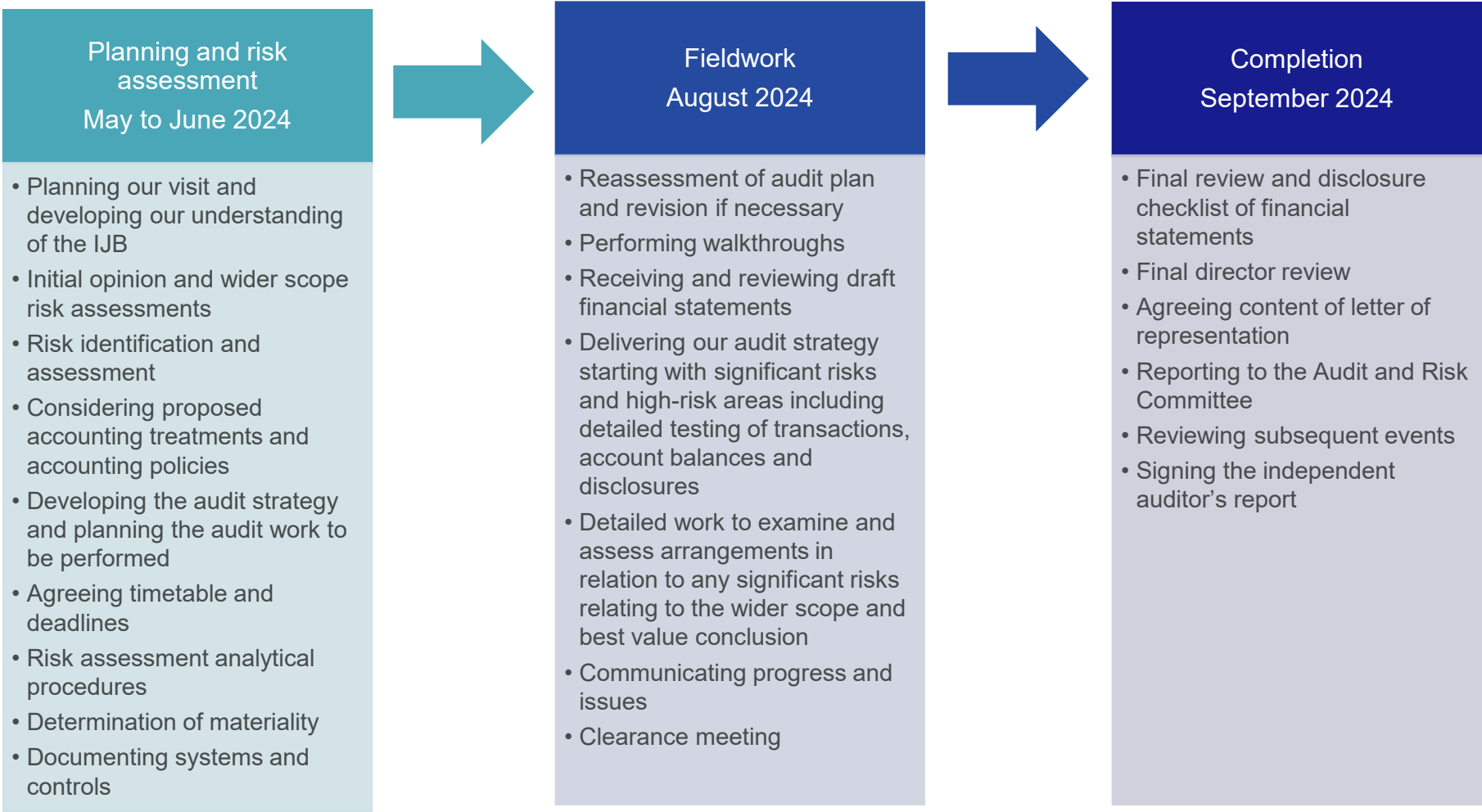
Audit scope, approach, and timeline (continued)

Risk-based approach



Audit scope, approach, and timeline (continued)

Audit timeline



Audit scope, approach, and timeline (continued)

Reliance on internal audit

We will meet with internal audit to discuss their work and findings, to inform our understanding of the IJB's key business processes and to update our risk assessment. If appropriate, we will seek to place reliance on internal audit's work on the IJB's key business processes and will perform our own procedures to determine its adequacy for our audit. During the audit, we will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls' evaluation procedures

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the IJB that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. This is currently under discussion.

Significant risks and other key judgement areas



Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is

a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Summary risk assessment

In summary, we deem management override of controls to be a significant risk in respect of the IJB. At the planning stage of the audit, we have not identified any other significant risk or enhanced risks in respect of the IJB. We have summarised our audit response to the identified significant risk on the next page.

Significant risks and other key judgement areas (continued)

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Risk Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	Yes	No	No	We plan to address the management override of controls risk by: • reviewing the key areas within the financial statements where management has used judgements and estimation techniques and consider whether there is evidence of unfair bias; • testing the appropriateness adjustments made in preparing the financial statements; • considering and testing any significant transactions outside the normal course of business or otherwise; and • examining any accounting policies that vary from The Code of practice on Local Authority in the United Kingdom (the Code).

Significant risks and other key judgement areas (continued)

Consideration of risks related to revenue and expenditure recognition

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 consider the risk of fraud to be low because the IJB is almost wholly funded by NHS Highland and Argyll and Bute Council. Therefore, as in previous year, we have rebutted this risk.

Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom highlights that, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure may in some cases be greater than the risk relating to revenue recognition. We have not recognised an increased risk in relation to expenditure on the basis that all the IJB's transactions are processed by the partner bodies, NHS Highland and Argyll and Bute Council, rather than the IJB directly.

Therefore, at this stage, we are not proposing to include specific work in our audit plan in these areas over and above our standard audit procedures.

Protocol for Auditor Assurance 2023/24

The IJB depends on information for its financial reporting which is provided by systems hosted by NHS Highland and Argyll and Bute Council (constituent authorities).

We will therefore need to obtain sufficient appropriate audit evidence which may not be held by the IJB. In line with Audit Scotland's Protocol for Audit Assurance 2023/24 we will request assurances from the auditors of each constituent authority.

Significant risks and other key judgement areas (continued)

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether Those Charged With Governance has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to Those Charged with Governance which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to Those Charged with Governance which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.

- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Wider scope and Best Value



Wider scope and Best Value

The framework for wider scope work

The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. We are required to form a view on the adequacy of the IJB’s arrangements in four areas:

- 1. Financial management
- 2. Financial sustainability
- 3. Vision, leadership, and governance
- 4. Use of resources to improve outcomes

Financial management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.

Auditors consider whether the body has effective arrangements to secure sound financial management.

Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditors consider the extent to which audited bodies have shown regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so that it can continue to deliver services.

Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. They also consider the effectiveness of governance arrangements for delivery.

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

Wider scope and Best Value (continued)

Our approach

Our planned audit work against the four wider scope areas is risk based and proportionate. We need to gather sufficient evidence to support our commentary on the IJB's arrangements and to identify and report on any significant weaknesses. We will carry out more detailed work where we identify significant risks. Where significant weaknesses are identified we will report these to the IJB and make recommendations for improvement. In addition to local risks, we consider challenges that are affecting the public sector as a whole.

Best Value

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within our annual audit work. Best Value at the IJB will be assessed over the period of the audit appointment. We will also follow up previously reported Best Value findings to assess the pace and depth of improvement. This work will be integrated into our audit approach, including our work on the wider scope areas.

We will also conduct thematic reviews as directed by the Accounts Commission. In 2023/24 this will be on workforce innovation. We will prepare a separate management report to document the findings of this work.

Wider scope and Best Value (continued)

Wider scope risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

Although we have not fully completed our planning and risk assessment work, the table below outlines the risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Audit and Risk Committee on completion of our planning and risk identification work.

Description		Financial management	Financial sustainability	Vision, leadership and governance	Use of resources to improve outcomes	Planned procedures
1	Financial Sustainability Whilst the IJB operated within budget 2022/23 and is forecasting a material underspend in 2023/24, in common with most public sector organisations, the IJB faces significant financial challenges, including Inflation and pay awards exceeding funding allocations. In addition, the IJB faces several specific issues, including the requirement to fund current service overspending, the reduction in the formula allocation of NHS funding and on-going challenges in identifying and delivering savings which do not have adverse impacts on service delivery. The impact of these challenges, means that the IJBs longer term financial sustainability remains a risk as cost and demand pressures are currently exceeding funding growth and the ability of the IJB to identify and generate new savings.	No	Yes	No	No	We will review the IJB's: • financial performance and updates to its financial planning throughout the year, including the implications for general reserves balances; and • the achievement of planned recurring and non-recurring savings.

Wider scope and Best Value (continued)

Our work to follow-up on previous recommendations

In the prior year audit, we made two recommendations to the IJB to address risks identified from its Wider Scope and Best Value. As part of our work in 2023/24, we will follow up the progress made by the IJB against the recommendations made and determine whether the risk remains during the year.

Previously identified risks in arrangements	Relevant reporting criteria	Our 2022/23 recommendations	Planned procedures for 2023/24
Financial sustainability –Level 2 The IJB's medium-term financial plan (MTFP) outlines significant cost pressures and resulting funding gaps in the medium to longer term, with difficulty in achieving savings targets to alleviate the gaps.	Management's response Recommendation accepted, the IJB will continue to update its Medium-Term Financial Plan and acknowledges the financial challenge it faces. It is also in the process of reviewing its Transformation Programme in a way which will ensure services are provided on a sustainable basis in the longer term. Responsible officer Chief Finance Officer Implementation date March 2024	The IJB should refresh its MTFP to ensure it has a clear plan for how it will use service redesign, transformation and savings to address its financial challenges.	We will review the progress of IJB's updating of its MTFP to evaluate whether it has a clear plan for how it will use service redesign, transformation and savings to address its financial challenges.

Wider scope and Best Value (continued)

Follow up of previously-reported recommendations

Previously identified risks in arrangements	Relevant reporting criteria	Our 2022/23 recommendations	Planned procedures for 2023/24
Sustainability of services The medium to long-term financial plan projects significant budget gaps in future years. While the financial plan contains broad themes setting out how budget gaps will be addressed, transformation and service redesign plans require further development. Risk –The IJB is unable to operate within agreed/planned budgets and fails to meet savings targets on a recurring basis. Recommendation -The IJB should continue to review and update its medium-term financial plan with appropriate action taken to bring financial performance into recurring balance.	Management Response: The financial planning framework will continue to be updated as budget announcements are made by Government in respect of funding and priorities for 2022/23 and beyond. Responsible officer: James Gow, Head of Finance & Transformation Agreed date: March 2023	Progress against the recommendation This remains a challenge, with IJB Managers looking at options to achieve savings targets. In 2022/23 the IJB, as in previous years, failed to achieve its savings targets. The IJB had planned for £6.1m of savings but ultimately achieved £4.1m, which represents approximately 68% of the target.	We will review IJB's medium-term financial plan to evaluate whether appropriate action has been taken to bring financial performance into recurring balance.

Audit fees and other services



Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of the IJBfor the year ended 31 March 2024, are outlined below.

Fees for work as the IJB’s appointed auditor

At this stage of the audit, we are not planning any divergence from the expected fees set by Audit Scotland, which is available on the Audit Scotland website: [Audit Scotland expected fees for 2023/24 audits](#).

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Auditor remuneration	£35,400	£33,400
Pooled costs	£1,290	£0
Contribution to PABV costs	£7,560	£6,350
Audit support costs	£0	£1,270
Sectoral cap adjustment	(£10,890)	(£9,550)
Total fee	£33,360	£31,470

Confirmation of our independence



Confirmation of our independence

Area		Description
	Requirements	We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.
	Compliance	We are not aware of any relationship between Forvis Mazars and the IJB that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of the IJB and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.
	Non-audit and Audit fees	We are not providing any non-audit services to the IJB. We have set out a summary of audit services provided by Forvis Mazars (with related fees) to the IJB in Section 6, together with our audit fees and independence assessment.

Confirmation of our independence (continued)

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP [and, when applicable, Forvis Mazars' member firms] are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Mark Outterside in the first instance.

Prior to the provision of any non-audit services, Mark Outterside will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Framework Agreement issued by Audit Scotland available from the Audit Scotland website: [Audit Scotland Framework Agreement \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/framework-agreement). Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.

Materiality and misstatements



Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit and Scrutiny Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;

- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements (continued)

Materiality (continued)

We consider that gross revenue expenditure at surplus/deficit level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of gross revenue expenditure at surplus/deficit for the financial statements.

As set out in the table alongside, based on the draft accounts received on 24/05/24 we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £7.610m (£7.004m in the prior year), and performance materiality to be in the region of £5.327m (£4.903m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Summary of initial materiality thresholds

	2023/24 £'000s	2022/23 £'000s
Overall materiality	7,610	7,004
Performance materiality	5,327	4,903
Clearly trivial	228	210
Specific materiality: We assess the Remuneration Report as sensitive given users' interest in this specific area. We are proposing to set materiality in this area at 1,000 within the Remuneration Report	1	1

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues



Appendix A: Key communication points

We value communication with Those Charged With Governance as a two-way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Annual Audit Plan; and
- Our Annual Audit Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Annual Audit Plan

Our responsibilities in relation to the audit of the financial statements;

- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;

- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Annual Audit Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Annual Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Annual Audit Plan
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Annual Audit Report
With respect to fraud communications: • Enquiries of the Audit and Risk Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Annual Audit Report and discussion at Audit and Risk Committee Audit planning and clearance meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Annual Audit Report

Appendix A: Key communication points (continued)

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Annual Audit Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the IJB or the Audit and Risk Committee in the context of fulfilling their responsibilities.	Annual Audit Report
Significant deficiencies in internal controls identified during the audit.	Annual Audit Report and the Audit and Risk Committee meetings

Appendix A: Key communication points (continued)

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of.	Annual Audit Report and the Audit and Risk Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Annual Audit Report
Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management: • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.	Annual Audit Plan

Appendix B: Current year updates, forthcoming accounting & other issues

Current and forthcoming accounting issue New standards and amendments

Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 Insurance Contracts (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 Insurance Contracts has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Appendix B: Current year updates, forthcoming accounting & other issues (continued)

Current and forthcoming accounting issue (continued) New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

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