



Public Health Scotland

External Audit Annual Plan

Year ended 31 March 2024

March 2024



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Introduction

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Public Health Scotland (“the Board”) for the year ended 31 March 2024 for those charged with governance.

Our audit work will cover:

- the financial statements within the 2023/24 annual report and accounts
- the wider scope of public audit
- any other work requested by Audit Scotland.

Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

If there are any elements of this audit plan to which you do not agree or you would like to discuss, please let us know as soon as possible.

Any comments you may have on the service we provide, the quality of our work, and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

This plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

Openness and transparency

This report will be published on Audit Scotland’s website <http://www.audit-scotland.gov.uk/>

Audit scope and general approach

Responsibilities of the auditor and the Board

The [Code of Audit Practice](#) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

The Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing a set of annual report and accounts that are in accordance with proper accounting practices. The Board is also responsible for complying with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

[Appendix 2](#) provides further details of our respective responsibilities.

Risk-based audit approach

We follow a risk-based approach to the audit that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers	Our understanding of the health sector, its key priorities and risks	Attending & observing the Finance, Audit & Risk Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and public sector auditors	Discussions with internal audit and review of plans and reports
Review of the Board’s corporate strategies and plans	Review of the Board’s corporate risk register	Consideration of the work of other inspection bodies

Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise.

Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Finance, Audit and Risk Committee (which reports to the Board). The annual report and accounts and our annual report on the audit will also be reported to the Board.

Partnership working

We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Audit Scotland

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may review the Board's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which the Board uses the national performance reports as a means to help improve performance at the local level.

During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Internal Audit

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the Board is used as efficiently and effectively as possible.

Shared systems and functions

Audit Scotland encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other external auditors, agreeing an appropriate division of work and sharing audit findings. Assurance reports are prepared by service auditors in the health sector covering the national systems / arrangements. We consider the audit assurance reports when evaluating the Board's systems.

Delivering the audit

Hybrid audit approach

We adopt a hybrid approach to our audit which combines on-site visits with remote working; learning from the better practices developed during the pandemic.

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information.

All of our staff are fully contactable by email, phone call and video-conferencing.

Meetings can be held over Microsoft Teams or by telephone.

We employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

Secure sharing of information

We use a cloud-based file sharing service that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

Regular contact

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

Signing annual accounts

Audit Scotland recommends the electronic signing of annual accounts and uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts and are acceptable for laying in Parliament. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high-quality PDF version of the accounts.

Approach to audit of the financial statements

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an independent auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- perform risk assessment procedures including updating our understanding of the Board, including its environment, the financial reporting framework and its system of internal control;
- review the design and implementation of key internal controls;

- identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

Materiality

“Reasonable assurance” is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. We include an explanation in the auditor’s report of the extent to which the audit was capable of detecting irregularities, including fraud, and respective responsibilities for prevention and detection of fraud.

We apply the concept of materiality in planning and performing the audit, and in evaluating the effect of misstatements within the financial statements identified during the audit.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

Any identified errors greater than £90,000 will be recorded and discussed with those charged with governance and, if not adjusted, confirmed as immaterial as part of the Board’s letter of representation to us.

Accounting systems and internal controls

We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work will not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If we identify significant deficiencies in controls, we will report these to the Board.

Specialised skill or knowledge required to complete the audit

Our audit team will consult internally with our Technology Risk team in:

- assessing the information technology general controls (ITGC); and
- reviewing the service auditor report findings and following up on any recommendations.

Going concern

In most public sector entities (including health boards), the financial reporting framework envisages that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For many public sector entities, the financial sustainability of the entity is more likely to be of significant public interest than the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the Board.

Prevention and detection of fraud or error

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control; and
- are over £5,000.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Public Sector Fraud Authority for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

The most recent NFI exercise commenced in 2022 and most matches should have been investigated by 30 September 2023. As part of our 2023/24 audit, we will monitor the Board's participation and progress in the NFI.

In addition, we will complete an information return, to be submitted to Audit Scotland by the end of February 2024. This information return is a key source of evidence for Audit Scotland's next NFI report, due to be published in summer 2024.

Anti-money laundering

We require the Board to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 1](#) provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2022/23 is outlined in the "the wider scope of audit" section of this plan.

National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2023/24 no such risks have been specified.

Climate change

In 2022/23 we were required to gather information on the Board's response to climate change. The information is due to be analysed centrally by Audit Scotland to draw conclusions that can be used to determine an appropriate course of action over the period of audit appointment. The information will not be available until later in the year and therefore we have no specific actions on climate change for 2023/24.

For information, Audit Scotland centrally intends to carry out the following activities related to climate change in the short term:

- An overall approach to auditing climate change will be developed.
- A central review of disclosures related to climate change in public bodies' 2022/23 annual accounts will be carried out and shared in a Good Practice Note.
- Audit Scotland will continue to participate in discussions around the development and implementation of new climate change financial reporting standards and will keep auditors apprised of progress.

Best Value

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. Through our wider scope audit work, we will consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

Reporting our findings

At the conclusion of the audit we will issue:

- an independent auditor's report setting out our formal audit opinions within the annual report and accounts; and
- an annual audit report describing our audit findings, conclusions on key audit risks, judgements on the pace and depth of improvement on the wider scope areas, and any recommendations.

Definitions

We will use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Financial statements - significant audit risks

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls	Audit approach
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals. • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Board's journals policy.

Management override of controls	Audit approach
<p>transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<ul style="list-style-type: none"> • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Fraud in revenue recognition	Audit approach
<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p>The presumption is that the Board could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p>In respect of Scottish Government funding, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate revenue of this nature. The risk of fraud in relation to revenue recognition is however present in all other income streams.</p> <p>Inherent risk of material misstatement:</p> <p>Revenue (occurrence/completeness): High</p>	<p>We will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Board's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.

Fraud in non-pay expenditure	Audit approach
<p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end leading to a material misstatement in the reported financial position.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Non-pay expenditure (occurrence/completeness): High • Accruals (existence/completeness): High 	<p>We will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Board's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year. • Reviewing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Provision for Dilapidations (Key Accounting Estimate)	Audit approach
<p>Glasgow Office Replacement Project</p> <p>Following the end of the current office lease at Meridian Court in September 2023 there is the potential for existence of material dilapidation costs associated with leaving the property. PHS included a provision of £1.6million in the 2022/23 financial statements for that purpose. Valuation of this cost includes a level of estimation and judgement which are subject to annual review.</p> <p>Inherent risk of material misstatement:</p> <p>Right of Use Asset (Valuation): High</p> <p>Lease liabilities (Valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Examining reasonableness of management's expert estimation for the provision value and related disclosures. • Considering compliance with the requirements of the FreM and NHS Manual for Accounts and Scottish Government guidance. • Considering the competence, capability and objectiveness of the management expert.

The wider scope of public audit

The Code of Audit Practice frames a significant part of our responsibilities in terms of four wider scope audit areas:

- Financial sustainability
- Financial management
- Vision, leadership and governance
- Use of resources to improve outcomes

Our audit approach to the wider scope audit areas

Appointed auditors are required to consider the wider scope areas when:

- identifying significant audit risks at the planning stage of the audit;
- reaching conclusions on those risks;
- making recommendations for improvement; and
- where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under the four areas identified above. [Appendix 2](#) provides further detail on the definition, scope and audit considerations under each wider scope area.

Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon our understanding of the Board's key priorities and risks along with discussions with management and review of board and committee minutes and key strategy documents.

We have identified one significant risk in relation to financial sustainability as set out in the table below. Audit planning is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.

Wider scope significant risk

Financial sustainability

Last year we noted that PHS has a financial plan in place covering the three-year period 2023/24 to 2025/26 and setting out a balanced position.

Its 2024/25 budget assumptions were presented to the Finance, Audit and Risk Committee in January 2024 with the draft 2024/25 Budget and Financial Plan presented in March 2024. PHS is assuming a break even position. The budget is based on several assumptions including:

- Flat baseline allocation
- £1.7million PHS contribution to the National Boards Savings Challenge
- 0% pay award
- No financial impact from Agenda for Change non-pay items
- 1.5% vacancy saving on onboard whole time equivalent
- 3% cash releasing efficiency savings

A large proportion of PHS's funding from Scottish Government is non-recurring, although the Scottish Government is reviewing all allocations to assess those which are appropriate for either baselining or bundling into a bigger allocation. This uncertainty over recurring funding levels remains a significant risk to PHS, in terms of both quantum and flexibility, to its ability to deliver its medium and long term strategic objectives. More recently, PHS was asked by the Scottish Government to explore all options across the system to reduce expenditure, with specific request to minimise any recharges to territorial boards, instead absorbing associated spend within PHS allocations. This will create further financial pressures.

At the end of January 2024, the year-to-date reported position was a £0.17million surplus with a full year reported position of a £1.46million surplus. Management anticipate, through rigorous financial management, that PHS will achieve a balanced position at the year end.

Financial sustainability

Our audit response:

During our audit we will review whether PHS has appropriate arrangements in place to manage its financial position. In particular we will assess:

- Whether progress has been made in updating financially sustainable plans which reflect the medium and longer term impact of cost pressures to support the delivery of PHS's statutory functions and strategic objectives.
- Whether impact of the level of non-recurring and recurring income streams on the financial position in medium and long term has been considered in the financial plans.

In formulating our audit plan, we identified areas of possible significant risk in relation to all wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist.

Financial management

- A review of management's arrangements to enable PHS to deliver a breakeven position at the year-end.
- Whether the quality of the financial performance information presented to the Board and appropriate committees allows appropriate scrutiny of PHS' performance and supports effective decision making.

Vision, leadership and governance

- Whether the senior management team is well embedded in the governance structures of the organisation providing clear vision and leadership, and allowing PHS to achieve its overall objectives.

Use of resources to improve outcomes

- Whether the Board can evidence the achievement of value for money in the use of resources.
- Actions to address a challenge for the organisation to manage those risks and issues more effectively, in order to mitigate the impact on project delivery, as well as drive improvements in how it plans and manages programmes.
- Whether focus of its 2023/24 delivery plan and 3-year strategic plan is supported by a programme and project architecture to enable delivery of its strategy.

Audit team and timetable

Audit team

Our audit team will be as follows:

Role	Name	Email
Engagement Lead	Karen Jones	karen.jones@azets.co.uk
Engagement Manager	Adrian Kolodziej	adrian.kolodziej@azets.co.uk
Auditor in Charge	Ava Campbell	ava.campbell@azets.co.uk

Timetable

Please find below confirmation of our proposed timetable for the audit as previously discussed with management:

Description	Target month / date
Audit Planning	20 November 2023 – 4 December 2023
FARC to consider draft audit plan	24 January 2024
Interim audit	22 January 2024 -26 January 2024
FARC to consider final audit plan	13 March 2024
Annual Report and Accounts preparation	April
Receipt of draft accounts and commencement audit fieldwork	29 April 2024 – 31 May 2024
FARC to consider draft accounts and audit report	8 May 2024
Audit clearance meeting	4 June 2024
FARC to consider final accounts and audit report	19 June 2024
Board meeting to approve accounts for signing	27 June 2024
Deadline for submission of signed accounts to Scottish Government	30 June 2024

Our requirements

The audit process is underpinned by effective project management to co-ordinate and apply our resources efficiently to meet your deadlines. It is essential that the audit team and the Board's finance team work closely together to achieve the above timetable.

In order for us to be able to complete our work in line with the agreed fee and timetable, we require the following:

- Draft financial statements of a good quality by the deadlines agreed with management. These should be complete including all notes, the performance report and the accountability report
- Good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations
- Ensuring staff are available and on site (as agreed) during the period of the audit
- Prompt and adequate responses to audit queries.

Audit Fee

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit. Audit Scotland sets an expected audit fee that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate unaudited accounts and meets the agreed timetable for audit.

The expected fee is reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2023/24 audits) have been developed in the context of a challenging economic environment, increased expectations on the audit profession and the ongoing process of recovery following the Covid-19 pandemic.

The 2023/24 expected audit fee is based on applying a 6% increase to the 2022/23 expected audit fee. This increase is applied on a sector basis and reflects the conditions of the public sector market.

As auditors we negotiate a fee with the Board during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body. For 2023/24, we propose setting the audit fee at the expected fee level.

Fee element	2023/24	2022/23
Auditor remuneration (expected fee level)	£71,060	£61,100
Auditor remuneration (above expected fee level)	-	£2,630
Pooled costs	£8,590	£5,530
Contribution to PABV costs	-	-
Audit support costs	-	£2,390
Sectoral cap adjustment	£25,350	£30,000
Total fee	£105,000	£101,650

We will take account of the risk exposure of the Board and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an

additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

Audit independence and objectivity

Auditor independence

We are required to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence.

Azets has not been appointed to provide any non-audit services during the year. We confirm that we comply with FRC's Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the Board, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.

Appendices



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Appendix 1: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Board and the needs of the users.

When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2024 was calculated as follows.

	£'000
Overall materiality for the financial statements	1,800
Performance materiality (75% of materiality)	1,350
Trivial threshold (5% of materiality)	90

Materiality	Our initial assessment is based on approximately 2% of gross revenue expenditure as disclosed in the 2022/23 audited annual report and accounts. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing financial performance of the Board.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater

	<p>level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<p>Trivial misstatements</p>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>Individual errors above this threshold are communicated to those charged with governance.</p>

The Remuneration & Staff Report and Related Parties disclosures are material by nature.

In performing our audit, we will consider any errors which cause result in a movement between the relevant bandings on the disclosure table to be material.

For related party transactions, in line with the standards we will consider the significance of the transaction with regard to both the Board and the counter party, the smaller of which will drive materiality considerations on a transaction by transaction basis.

Appendix 2: Responsibilities of the Auditor and the Board

The Auditor General and Audit Scotland

The Auditor General for Scotland is a Crown appointment and independent of the Scottish Government and Parliament. The Auditor General is responsible for appointing independent auditors to audit the accounts of the Scottish Government and most Scottish public bodies, including NHS bodies, and reporting on their financial health and performance.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the [2021 Code](#)) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Board and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



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

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

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.

Auditor considerations

Auditors consider the extent to which audited bodies show 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 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.



Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

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. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.



Auditor considerations

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

Best Value

[Ministerial guidance to Accountable Officers for public bodies](#) sets out their duty to ensure that arrangements are in place to secure Best Value in public services. Through our wider scope audit work, we consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#)

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2022/23 | Audit Scotland \(audit-scotland.gov.uk\)](#)

Board responsibilities

The Board has 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 enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

Area	Board responsibilities
Corporate governance	<p>The Board is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. <p>Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p>

Area	Board responsibilities
	<p>The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Board is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct for prevention and detection of fraud and error	<p>The Board is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
Financial position	<p>The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • such financial monitoring and reporting arrangements as may be specified; • compliance with statutory financial requirements and achievement of financial targets; • balances and reserves, including strategies about levels and their future use; • plans to deal with uncertainty in the medium and long term; and • the impact of planned future policies and foreseeable developments on the financial position.
Best value	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.</p>



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