

Scottish Borders Integration Joint Board

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for Scottish Borders Integration Joint Board
November 2024

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Introduction

Summary of planned audit work

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

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

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on other statutory information published with the financial statements in the annual accounts, including the Performance Report, the Annual Governance Statement, and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements
- review Scottish Borders IJB's arrangements for preparing and publishing its Annual Performance Report.

Respective responsibilities of the auditor and Scottish Borders IJB

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

Auditor responsibilities

4. My responsibilities as appointed auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at Scottish Borders IJB. In doing this, we aim to support improvement and accountability.

Scottish Borders IJB and Chief Officer responsibilities

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

7. Scottish Borders IJB has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver their objectives.

Adding Value

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

Annual accounts

Introduction

9. The annual accounts are an essential part of demonstrating Scottish Borders IJB's stewardship of resources and its performance in the use of those resources.

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

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

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan my audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels as described in [Exhibit 1](#). The quantitative materiality values for Scottish Borders IJB are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Quantitative materiality levels for Scottish Borders IJB

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of Scottish Borders IJB's operations. For the year ended 31 March 2024, we have set our materiality at 2% of net expenditure based on the audited financial statements for 2022/23.	£4.633 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality,	£3.475 million

this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£230k
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Source: Audit Scotland

Significant risks of material misstatement to the financial statements

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

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risk of material misstatement to the financial statements. This is the risk which has the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2023/24 Significant risk of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud</p>	<p><i>Owing to the nature of this risk, assurances from management are not applicable in this instance.</i></p>	<ul style="list-style-type: none"> • Agreement of balances and transactions to Scottish Borders Council and NHS Borders financial reports / ledger / correspondence. • Assurances will be obtained from the auditors of Scottish Borders Council and NHS Borders over the completeness, accuracy and allocation of income and expenditure. • Review of any significant adjustments made to figures from the partner bodies at year-end where we consider there to be greatest risk of material

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
because of management's ability to override controls that otherwise appear to be operating effectively.		<p>misstatement through management override of controls.</p> <ul style="list-style-type: none"> • Review of financial monitoring reports during the year. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • Evaluate any significant unusual transactions outside the norm.

Source: Audit Scotland

17. As set out in International Standard on Auditing (UK) 240: The auditor's responsibilities relating to fraud in an audit of financial statement, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2023/24 as, while the possibility of fraud exists, we do not judge it to be a significant risk due to the revenue streams coming from the partner bodies of Scottish Borders Council and NHS Borders.

18. In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Due to the nature of the Scottish Borders IJB's expenditure, we have also rebutted the significant risk of material misstatement.

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

Other areas of audit focus

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

Wider Scope and Best Value

Introduction

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

22. In summary, the four wider scope areas are:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider whether the body is planning effectively to continue to deliver services, also comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by Scottish Borders IJB. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how Scottish Borders IJB demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risk

23. We have identified one significant risk in the wider scope areas set out in [Exhibit 3](#). This exhibit sets out the risk, management's sources of assurance for the risk, and the further audit procedures we plan to perform to gain assurances over the risk.

Exhibit 3**2023/24 wider scope risk**

Description of risk	Management's sources of assurance	Planned audit response
<p>1. Financial sustainability</p> <p>In recent years, Scottish Borders IJB has only achieved short-term financial balance, by receiving additional funding from NHS Borders to support overspends in delegated health services and through use of reserves.</p> <p>It continues to be faced with significant financial challenges, and difficult decisions will be required.</p> <p>Work is still required to ensure that there is sustainable financial balance including the development of medium term financial planning.</p>	<ul style="list-style-type: none"> To support a longer term planning approach, and with the aim of becoming financial sustainable a programme of work is underway to identify future needs and opportunities within the HSCP (Health and Social Care Partnership) which will feed into the 5 year Financial Plan being developed for approval in March 25. This includes a bed capacity review, learning disability needs assessment, 90% prioritisation exercise in Scottish Borders Council, Management review and the '15 Box Grid' review in NHS. 	<ul style="list-style-type: none"> Review financial monitoring reports to assess the financial position, including progress in realising savings by each partner. Review the updates to financial plans and work to assess financial sustainability, including plans to deliver a medium term financial plan by spring 2025. Review the decision making for financial sustainability by members of the Joint Board. Ensuring resources are aligned to the strategic priorities of Scottish Borders IJB.

Source: Audit Scotland

24. Our planned work on the wider scope areas is risk based and proportionate, and in addition to local risks, we may be asked by the Accounts Commission to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years such as climate change.

Best Value

25. Auditors have a duty to be satisfied that bodies that fall within section 106 of the Local Government (Scotland) Act 1973 have made proper arrangements to secure Best Value. We will consider how Scottish Borders IJB demonstrates that it is meeting its Best Value responsibilities, and we will report our findings as part of our Annual Audit Report.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

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

27. We will provide:

- an Independent Auditor's Report to Scottish Borders IJB and the Accounts Commission setting out our opinions on the annual accounts
- Scottish Borders IJB and the Accounts Commission with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

28. [Exhibit 4](#) outlines the target dates for our audit outputs set by the Accounts Commission. In determining the reporting date, we have considered the late signing of the annual accounts in 2022/23 and seek to bring forward signing of the 2023/24 accounts compared to the previous year. The target date for local government bodies is 30 September 2024.

29. We will be unable to achieve the target date outlined above. We are working towards completion of the audit by 16 December 2024 which notes a significant improvement from the signing of the 2022/23 accounts which was impacted by staffing levels at Scottish Borders IJB. We will work towards delivering the audit and audit outputs by target dates over the period of the audit appointment. We continue to prioritise the delivery of high-quality audits as required by the Accounts Commission, and consistent with messaging from the Financial Reporting Council which has made clear that audit quality takes precedence.

Exhibit 4 2023/24 Audit outputs

Audit Output	Target date	Audit Committee/ Board Date
Annual Audit Plan	20 November 2024 (by correspondence to members)	16 December 2024

Audit Output	Target date	Audit Committee/ Board Date
Independent Auditor's Report	16 December 2024	16 December 2024
Annual Audit Report	16 December 2024	16 December 2024
Planned signing date of Independent Auditor's Report	22 January 2025	22 January 2025

Source: Audit Scotland



30. All Annual Audit Plans and the outputs detailed in [Exhibit 4](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

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

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

Exhibit 5 Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	25 July 2024
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	1 October 2024
Latest date for final clearance meeting with the Interim Chief Financial Officer	29 November 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	29 November 2024
Agreement of audited and unsigned annual accounts	29 November 2024
Issue of Annual Audit Report to those charged with governance.	16 December 2024
Signed Independent Auditor's Report	22 January 2025

Source: Audit Scotland

Audit fee

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

Exhibit 6

Audit fees (including VAT)

Fee component	Fees (£)
External Auditor Remuneration	35,050
Pooled costs	1,280
Contribution to Audit Scotland costs	0
Contribution to Performance and Best Value	7,480
Sectoral Cap Adjustment	(10,450)
Total 2023/24 Audit fee	33,360

Source: Audit Scotland

34. In setting the fee for 2023/24, we have assumed that Scottish Borders IJB has effective governance arrangements and will prepare a comprehensive and accurate set of annual accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

35. It is the responsibility of the Scottish Borders IJB to establish adequate internal audit arrangements. Scottish Borders IJB's internal audit function is provided by the internal audit team of Scottish Borders Council.

36. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

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

38. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

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

Audit Quality

40. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

41. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

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

43. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

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

Scottish Borders Integration Joint Board

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

www.audit-scotland.gov.uk/accessibility

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