Annual Audit Plan

Argyll and Bute Integration Joint Board – Year ending 31 March 2025

Members of the Audit and Risk Committee
Argyll and Bute Integration Joint Board
Kilmory
Lochgilphead
PA31 8RT

Forvis Mazars
The Corner, Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

11 June 2025

Dear Audit and Risk Committee Members,

Annual Audit Plan – Year ending 31 March 2025

We are pleased to present our Annual Audit Plan for Argyll and Bute Integration Joint Board (the IJB) for the year ending 31 March 2025. This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during 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, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

Annual Audit Plan – Year ending 31 March 2025 (continued)

This report also contains appendices that outline our key communications with you during 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.

If you would like to discuss any matters in more detail, please contact me on 0191 383 6339.

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code") and for the sole benefit of the Audit and Risk Committee. Except where required by law or regulation, it should not be used, quoted or made available to any other parties without our prior written consent.

Yours faithfully

Mark Outterside

Forvis Mazars

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Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of the IJB for the year to 31 March 2025. 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.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with applicable law and UK adopted international accounting standards as interpreted and adopted by the Code of Practice on Local Authority Accounting un the United Kingdom 2024/25.

Our audit does not relieve management or the Audit and Risk Committee, as Those Charged With Governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of the IJB's ability to continue as a going concern. 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) the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

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 you and management. This includes establishing and maintaining internal controls over asset protection, 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 inquire of those charged with governance, including key management and internal audit, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Engagement and responsibilities summary (continued)

Internal control

Management is responsible for internal control as they are responsible for determining what 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 the audit 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.

Wider reporting

We report to the National Audit Office on the consistency of the IJB's financial statements with its Whole of Government Accounts (WGA) submission. The level of auditor assurance required depends on monetary thresholds set by HM Treasury.

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 the *'Wider scope and Best Value'* section of this report.

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Your audit engagement team

Your audit team

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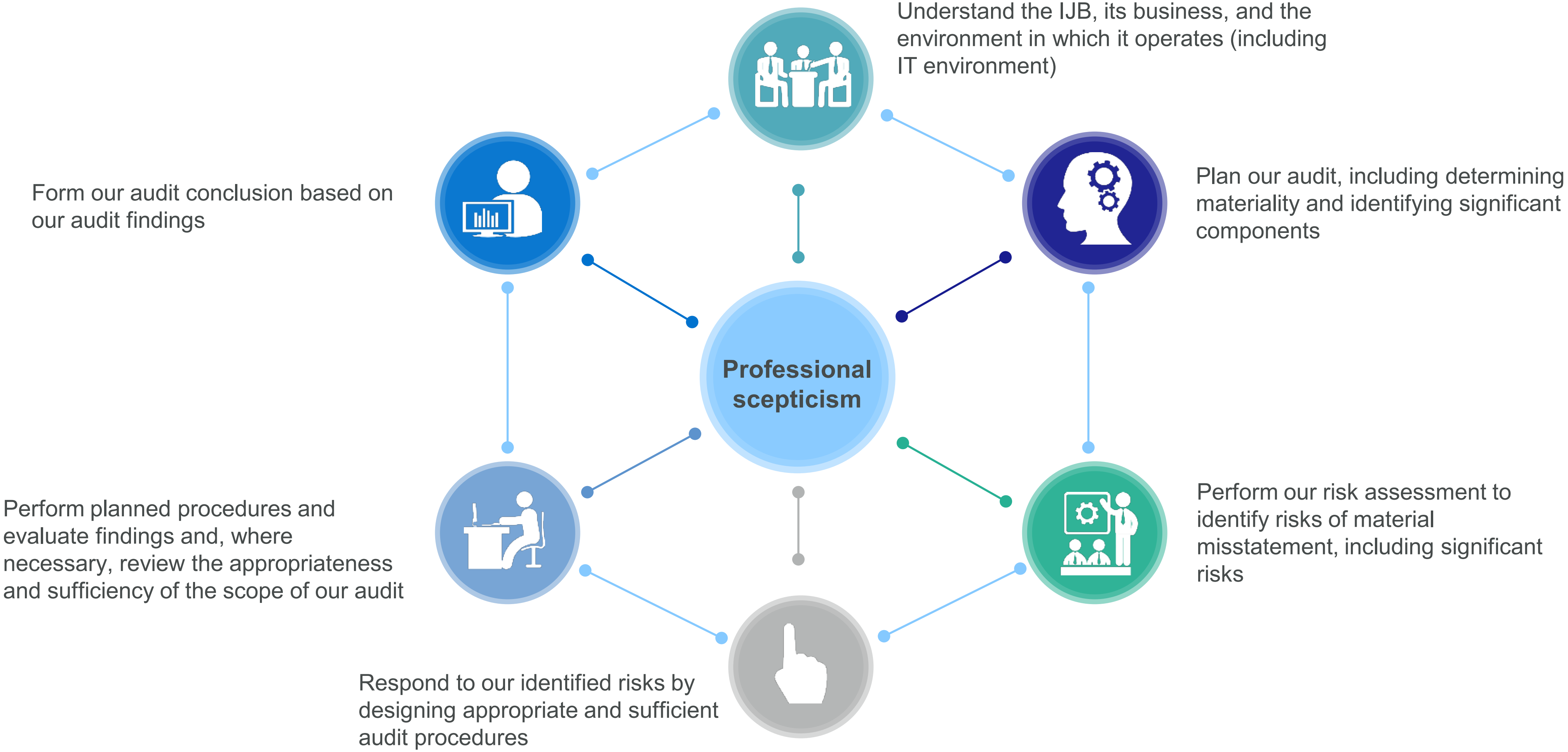
Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based approach



Audit scope, approach, and timeline (continued)

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 methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business 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 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 has been planned and will be performed 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 the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit. We have also provided, later in this report, a table setting out the procedures we perform for the significant financial statement areas.

Reliance on internal audit

We do not intend to rely on the work of internal audit; however, we will consider their work and their findings prior to commencing our controls evaluation procedures.

Audit scope, approach, and timeline

Planning and risk assessment May to June 2025	Fieldwork July to August 2025	Completion September/October 2025
• Planning our visit and developing our understanding of the entity • Documenting systems and control and performing walkthroughs • Risk identification and assessment • Considering proposed accounting policies and accounting treatments • Developing our audit strategy and planning the audit work to be performed • Agreeing timetable and deadlines • Preliminary analytical review • Determination of materiality	• Executing our strategy, starting with significant risks and other higher-risk areas • Receiving and reviewing the draft financial statements	• Final review of financial statements, and disclosure checklist • Final director review • Agreeing the content of the letter of representation • Preparing our auditor's report • Reporting to the Audit and Risk Committee • Subsequent events procedures • Signing our auditor's report

Audit scope, approach, and timeline (continued)

Follow up on deficiencies in internal control

Set out below are the significant deficiencies in internal control that we identified during our prior period audit. We request that you and management provide an update on the action taken to address these deficiencies.

- As part of the 23/24 external audit, we noted that the IJB depends on financial data from its partner organisations – NHS Highland, and Argyll and Bute Council. We noted that the IJB lacked documented controls to verify the accuracy and completeness of this data, and some working papers supporting the financial statement figures were insufficiently detailed. We recommended that the IJB establish data quality and internal controls to guarantee the accuracy and completeness of financial data received from the NHS and Council, and that the IJB ensure figures included in the financial statements are supported by detailed working papers and evidence, ready in time for the audit.

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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 Risk 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 provide 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. We have therefore determined our initial materiality levels using this as the 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 across, based on currently available information (being the prior period signed financial statements) we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £7.610m (£7.610m in the prior year), and performance materiality to be in the region of £5.707m (£5.327m in the prior year).

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

IJB's single-entity financial statements

	2024/25 £'000s	2023/24 £'000s
Overall materiality	£7,610	£7,610
Performance materiality	£5,707	£5,327
Clearly trivial	£228	£228
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

Materiality and misstatements (continued)

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit and Risk Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £228k, based on 3% of overall materiality. If you have any queries about this, please raise these with Mark Outterside.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit and Risk Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit and Risk Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

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Significant risks and other key judgement areas

Significant risks and other key judgement areas

Definitions

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Risk Level	Definition
Significant	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	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	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.

Significant risks and other key judgement areas (continued)

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to the Audit and Risk Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Management override of controls	Yes	No	Yes	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. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, 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)

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek the Audit and Risk Committee's views/ 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 IJB 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?

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 you 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).

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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 identified,.

Best Value

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within our annual audit work. We are required to consider the seven Best Value themes which are:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

We are required to consider the IJB's arrangements in respect of the seven Best Value themes to identify any significant risks. Best Value at the IJB will be assessed over the period of the audit appointment. Where we identify risks or improvement areas we will plan appropriate coverage over the period of the audit appointment on a risk basis.

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 2024/25 this will be on transformation. We will prepare a separate management report to document the findings of this work.

At least once every five years, the Controller of Audit will report to the Accounts Commission on the IJB's performance in meeting its Best Value duties.

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 wider scope audit risks 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.

	Risk Description	Financial management	Financial sustainability	Vision, leadership and governance	Use of resources to improve outcomes	Planned procedures
1	**Financial sustainability** The IJB is facing a challenging economic outlook, with unfunded cost pressures and unfunded increases and demands. Per the 2025/26 budget (which was presented to the Argyll and Bute HSCP meeting in March 2025), there is a budget gap (before the application of non-recurring funding and savings) of £12.8m. There is a savings plan of £5.6m, and non-recurring resourcing of £3m, which leaves a budget gap of £4.2m within the NHS budget. Public finances for IJBs remain under significant pressure, noting that the sector is not operating in a sustainable way going forward.	No	Yes	No	No	As part of our audit, we will review: • the IJB's medium to long term financial strategy; • financial position and track record in delivering planned recurrent and non-recurrent savings in 2024/25; • financial performance in 2025/26 and updates to its financial planning during the year; • regular reporting to Members on financial performance, savings plans and financial risks; • how the IJB works with stakeholders to manage its financial position; and • progress in developing plans to address future years budget gaps.

Wider scope and Best Value (continued)

Our work to follow-up on previous wider scope recommendations

As part of our 2023/24 audit, we identified wider scope risks in the Council's arrangements. The table below sets out the risks identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

Previously identified risks in arrangements	Relevant reporting criteria	Our 2023/24 recommendations	Planned procedures for 2024/25
Sustainability of services – Level 2 The IJB is unable to operate within agreed/planned budgets and fails to meet savings targets on a recurring basis.	Financial sustainability	The IJB should continue to review and update its medium-term financial plan with appropriate action taken to bring financial performance into recurring balance.	See page 26 – we have highlighted this as a risk in 2024/25.
Strategic planning – Level 2 There is a risk that future strategic documents will be inconsistent with other related policy documents, adversely impacting the clarity of the IJBs vision and direction	Vision, leadership and governance	With the current strategic plan coming to an end in the coming year, we recommend that management and those charged with governance should ensure that a new plan is put in place, with any revisions made continuing the clarity of vision, and ensuring these changes are communicated effectively.	We plan to: • review the updated strategic plan and understand how the IJB has aligned it to other strategic plans.

Wider scope and Best Value (continued)

Best Value risks

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

Although we have not fully completed our planning and risk assessment work, we have not identified any Best Value audit risks to date. If we identify any Best Value audit risks as our work progresses, we will report details of them to the Audit and Risk Committee on completion of our planning and risk identification work.

Our work to follow-up on previous best value recommendations

As part of our 2023/24 audit, we did not identify any Best Value risks in the Council's arrangements.

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Audit fees and other services

Audit fees and other services

Our fees (exclusive of VAT and disbursements) for the audit of the IJB's financial statements for the year ended 31 March 2025 are outlined below.

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 2024/25 audits.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Auditor remuneration	£36,890	£35,400
Pooled costs	£930	£1,290
Contribution to PABV costs	£7,080	£7,560
Sectoral cap adjustment	-£10,900	-£10,890
Total fees	**£34,000**	**£33,360**

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Confirmation of our independence

Confirmation of our independence

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 Revised Ethical Standard.

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 have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to the IJB, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised 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 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 me in the first instance.

Confirmation of our independence

Prior to the provision of any non-audit services, I 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)**. Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.

Any emerging independence threats and associated safeguards we identify or put in place will be communicated to you in our Annual Audit Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

Appendix A: Key communication points

We value communication with you, as a two-way feedback process is 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;
- Our Annual Audit Report;
- Our independent auditor's report; and
- Our thematic 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 (UK) 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: • Inquiries with the Audit and Risk Committee to determine whether you have 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 the 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 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

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 inquiry 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 that the Audit and Risk Committee may be aware of.	Annual Audit Report and 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 (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management: • Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 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 the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.) • Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluate responses and remediate control gaps or deficiencies 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**. The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, will be available in our 2023/24 Transparency Report, which will be available on our website by 31 December 2024.	Annual Audit Plan

Applicable for IFRS Reporters

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2023

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

- IFRS 17 *Insurance Contracts* (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. The amendments, issued subsequently in June 2020, do not change the fundamental principles of IFRS 17 and are aimed at helping companies implement the standard and make it easier for them to explain their financial performance. The EU has endorsed the adoption of IFRS 17, although with some changes to the version issued by the IASB. In May 2022, the UK Endorsement Board (UKEB) adopted the standard and the associated amendments.

Amendments to IFRS 17 *Insurance Contracts*: Initial Application of IFRS 17 and IFRS 9 (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 *Financial Instruments* (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. The amendments have been UK-adopted and endorsed by the EU.

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 notable new requirements for accounting policy disclosures that change the requirements for entities to disclose material accounting policy information, rather than significant accounting policies, and not to disclose immaterial accounting policy information, explaining that 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. Earlier application is permitted. The amendments have been UK-adopted and endorsed by the EU.

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. Earlier application is permitted. The amendments have been UK-adopted and endorsed by the EU.

Applicable for IFRS Reporters

Current and forthcoming accounting issues (continued)

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 *Presentation and Disclosure in Financial Statements* (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA UK 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over 'significant components' of a group, i.e., a 'full scope' audit of a significant component's financial information relevant to the group financial statements was required. Forvis Mazars defined a 'significant component' as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group's reported profit before tax would be classified as a significant component and a 'full scope' audit would be performed over that component's financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component's financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component's financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a 'non-significant' component's financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

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

International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

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

International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of 'component' - The definition of 'component' has been revised to "an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit".

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of 'group-wide' controls has been removed and we are instead required to consider 'common controls', being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of 'engagement team' - The definition of 'engagement team' has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component's financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component's financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

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