

Independent Living Fund Scotland

2024/25 Annual Audit Report



Prepared for Independent Living Fund Scotland and the Auditor General for Scotland
August 2025

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Accessibility

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Key messages

Audit of the annual report and financial statements

- 1 All audit opinions stated that the annual report and financial statements were free from material misstatement.
- 2 There was one significant finding to report. All audit adjustments required to correct the financial statements were processed by Independent Living Fund Scotland.

Wider scope and Best Value audit

Financial Management and Sustainability

- 3 Independent Living Fund Scotland operated within its allocated budget in 2024/25, with an overall underspend of £1.5 million.
- 4 Independent Living Fund Scotland has clear policies and procedures in place that ensure effective financial management.
- 5 A five-year medium-term financial plan is in place and Independent Living Fund Scotland is planning effectively so it can continue to deliver services in the medium to long-term.

Vision, Leadership and Governance

- 6 Independent Living Fund Scotland has clear plans in place to implement its vision, strategy and priorities.
- 7 Governance arrangements are appropriate and Independent Living Fund Scotland is open and transparent in the way it conducts business.

Use of Resources to Improve Outcomes

- 8 Effective and suitable arrangements are in place to ensure that resources are utilised to improve strategic outcomes and deliver continuous improvements in priority services.
- 9 Independent Living Fund Scotland has developed an appropriate Best Value framework.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Independent Living Fund Scotland's annual report and financial statements and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Independent Living Fund Scotland and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Scope of the audit

3. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:
 - An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
 - An opinion on statutory other information published with the financial statements in the annual report and financial statements, namely the Performance Report and Annual Governance Statement.
 - An opinion on the audited part of the Remuneration and Staff Report.
 - Conclusions on the Independent Living Fund Scotland's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
 - Reporting on the Independent Living Fund Scotland's arrangements for securing Best Value.
 - Provision of this Annual Audit Report.

Appointed auditor and independence

4. Kyle McAulay, of Audit Scotland, has been appointed as external auditor of Independent Living Fund Scotland for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Kyle McAulay and the audit team are independent of Independent Living Fund Scotland in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from Independent Living Fund Scotland, including no provision of non-audit services.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of the auditor and Independent Living Fund Scotland. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

6. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and financial statements, and concluding on Independent Living Fund Scotland's arrangements in place for the wider scope areas and Best Value.

7. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve Independent Living Fund Scotland from its responsibilities outlined below.

8. The Annual Audit Report includes an agreed action plan at [Appendix 1, \(page 23\)](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

Independent Living Fund Scotland's responsibilities

9. Independent Living Fund Scotland has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and financial statements, comprising financial statements for Independent Living Fund

Scotland that gives a true and fair view and other specified information.

- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

10. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to Independent Living Fund Scotland and the Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3, \(page 30\)](#).

Acknowledgements

11. We would like to thank management and its staff, particularly those involved in preparation of the annual report and financial statements, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit of the annual report and financial statements

Main judgements

All audit opinions stated that the annual report and financial statements were free from material misstatement.

There was one significant finding to report. All audit adjustments required to correct the financial statements were processed by Independent Living Fund Scotland.

Audit opinions on the annual report and financial statements

12. Independent Living Fund Scotland's annual report and financial statements were approved by the Board and signed by the appointed auditor on 15 September 2025. The Independent Auditor's Report is included in Independent Living Fund Scotland's annual report and financial statements, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual report and financial statements were received in accordance with the agreed audit timetable set out in our 2024/25 Annual Audit Plan. A complete working paper package was not provided at the outset of the financial statements audit; however additional working papers were provided during the course of the audit. Whilst this did not have a significant impact on the audit timetable, there is scope for improvement in relation to the completeness of the working paper package provided at the outset of the financial statements audit.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £29,810. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and financial statements.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of Independent Living Fund Scotland were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and financial statements. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for Independent Living Fund Scotland

Materiality	Value
Materiality – set at 2% of gross expenditure	£1.2 million
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£0.7 million
Reporting threshold – set at 5% of materiality.	£60,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for Independent Living Fund Scotland is the Audit and Risk Committee.

The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the

auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

19. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

The significant findings and key audit matters to report are outlined in [Exhibit 2, \(page 10\)](#).

Exhibit 2**Significant findings and key audit matters**

Significant findings and key audit matters	Outcome
Accounting treatment of Grant-in-Aid The Accounts Direction issued by Scottish Ministers for Independent Living Fund Scotland states that the accounts shall comply with the requirements of the Financial Reporting Manual (FReM) and the Companies Act 2006. The Financial Reporting Manual outlines that where a conflict exists between the FReM and the Companies Act 2006, the Companies Act 2006 takes precedence. In line with the requirements of the Financial Reporting Manual (FReM), Grant-in-Aid was accounted for as funding through the General Fund in the Statement of Taxpayers' Equity. However, the Companies Act 2006 states that the accounts should be prepared in accordance with international accounting standards where IAS 20 Government Grants applies and funding should be accounted for as income through the Statement of Comprehensive Net Income and Expenditure. The impact of this is to increase Grant-in-Aid in the Statement of Comprehensive Net Income and Expenditure and decrease Grant-in-Aid from departments in the Statement of Changes in Taxpayers' Equity by £62.7 million. This adjustment has also resulted in a restatement to the prior year comparative figures and the impact of this is to increase Grant-in-Aid in the Statement of Comprehensive Net Income and Expenditure and decrease Grant-in-Aid from departments in the Statement of Changes in Taxpayers' Equity by £57.5 million.	Management fully endorses the approach as set out. The Finance Director raised the matter with the previous auditor and was of the view that that the Companies Act 2006 should take precedence where a conflict exists between the Financial Reporting Manual and the Companies Act 2006. However, the previous auditor insisted that the FReM should take precedence. Evidence supporting the challenge from management to the previous auditor was provided to Audit Scotland during the financial statements audit. This was adjusted by management in the 2024/25 annual report and financial statements.

Source: Audit Scotland

Qualitative aspects of accounting practices

20. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of Independent Living Fund Scotland's accounting

practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

21. The appropriateness of accounting policies adopted by Independent Living Fund Scotland was assessed as part of the audit. These were considered to be appropriate to the circumstances of Independent Living Fund Scotland, and there were no significant departures from the accounting policies set out in the FReM.

Accounting judgements

22. Accounting judgements are used in a number of areas in Independent Living Fund Scotland's financial statements, including recipient accruals, recipient payments receivable and the staff costs untaken leave accrual. Audit work considered the process management of Independent Living Fund Scotland has in place around making accounting judgements, including the assumptions and data used in making the judgements. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting judgements, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting judgements.

Disclosures in the financial statements

23. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate.

Significant matters discussed with management

24. All significant matters identified during the audit and discussed with management have been reported in the Annual Audit Report.

Audit adjustments

25. Audit adjustments were required to the financial statements. Details of all audit adjustments greater than the reporting threshold of £60,000 are outlined in [Appendix 2, \(page 29\)](#).

26. Management processed all audit adjustments and as a result, there are no uncorrected misstatement to report.

Significant risks of material misstatement identified in the Annual Audit Plan

27. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3, \(page 12\)](#).

Exhibit 3**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and throughout the year if required. • Review accounting estimates for management bias, including a retrospective review of accounting estimates. • Evaluate significant transactions outside the normal course of business. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Substantive testing of accruals and prepayments to confirm they are accounted for correctly.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. • No significant issues were identified from transactions outside the normal course of business. • No significant issues were identified from testing of income and expenditure transactions around the year-end. • No significant issues were identified from testing of accruals and prepayments. Conclusion: no evidence of fraud caused by management override of controls.

Prior year recommendations

28. Independent Living Fund Scotland has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with Independent Living Fund Scotland and are outlined in [Appendix 1, \(page 22\)](#).

Financial Management and Sustainability

Conclusion

Independent Living Fund Scotland operated within its allocated budget in 2024/25, with an overall underspend of £1.5 million.

Independent Living Fund Scotland has clear policies and procedures in place that ensure effective financial management.

A five-year medium-term financial plan is in place and Independent Living Fund Scotland is planning effectively so it can continue to deliver services in the medium to long-term.

Financial Management

Independent Living Fund Scotland had appropriate and effective financial management in place, with regular budget monitoring reports provided to the Board

29. Board members and senior management receive regular and accurate financial information on Independent Living Fund Scotland's performance against budget. These reports allow members and officers to scrutinise financial performance effectively throughout the year.

Independent Living Fund Scotland operated within its revised fiscal resources, reporting an underspend of £1.5 million

30. Independent Living Fund Scotland reported an outturn of £62.6 million against its revised fiscal resource of £64.1 million, representing an underspend of £1.5 million.

31. The overall underspend noted below was in the main due to:

- Resource (£2.2 million) - impact of unspent monies returned to Independent Living Fund Scotland by recipients following a change in circumstances and the slower than anticipated uptake of the re-opened Fund.
- Capital £0.7 million – no capital allocation from the Scottish Government for 2024/25, instead capital expenditure during year was funded through the use of reserves.

Exhibit 4**Performance against fiscal resource in 2024/25**

Performance	Initial budget £m	Funding not drawn down in year £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	69.5	(5.5)	64.0	61.8	(2.2)
Capital	-		-	0.7	0.7
Annually Managed Expenditure	0.1		0.1	0.1	0.0
Total	69.6	(5.5)	64.1	62.6	(1.5)

Source: Independent Living Fund Scotland Annual Report & Financial Statements 2024/25

Budget processes were appropriate

32. Independent Living Fund Scotland's budget was adjusted as part of the Scottish Government's in-year budget revision process. Details on budget revisions were reported to the Board throughout the year. The most significant revision over the course of the year was agreement of £5.5 million of funding available not to be drawn down due to slower than anticipated uptake of the re-opened 2015 Fund.

There is scope for enhancing some financial systems of internal controls

33. From our review of the design and implementation of key controls within Independent Living Fund Scotland's systems of internal control (including those relating to IT) relevant to our audit approach, we identified some internal control weaknesses within key financial systems and processes. These issues have been reported in our interim management letter, presented to Audit and Risk Committee in May 2025. A summary of these recommendations and their current status is set out in [Appendix 1, \(page 23\)](#).

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

34. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguards public assets and prevents and detects fraud, error and irregularities, bribery and corruption.

35. We concluded that Independent Living Fund Scotland has appropriate arrangements for the prevention and detection of fraud, error and irregularities. We also reviewed arrangements to maintain standards of conduct, including the Board and staff code of conduct and register of interests. We concluded that Independent Living Fund Scotland has established procedures for preventing and detecting any breaches of these standards.

Financial Sustainability

A balanced budget has been set for 2025/26

36. Independent Living Fund Scotland agreed its draft budget for 2025/26 at its Board meeting in February 2025. This was subject to the confirmation and associated Grant-In-Aid allocation for 2025/26 by Scottish Ministers. In April 2025, Scottish Ministers provided confirmation that the total budget and associated Grant-in-Aid for 2025/26 was £75.8 million.

A five-year medium-term financial plan is in place and Independent Living Fund Scotland is planning effectively so it can continue to deliver services in the medium to long-term

37. Independent Living Fund Scotland's revised medium-term financial plan was approved by the Board in June 2025. The medium-term financial plan is forward looking and includes an action plan that will help delivery against its ambitions in the context of the public sector funding constraints. The strategy includes financial scenario planning for different funding levels and an in-depth review of resource expenditure.

38. Independent Living Fund Scotland is operating in a challenging financial environment with impacts on resources in the medium and longer-term. Several elements within the Independent Living Fund Scotland budget represent significant cost pressures and so require to be carefully managed.

39. Despite this challenging financial environment, we have noted that senior management and Board members consider the medium to longer-term horizons as part of their strategic and operational decision making. As a result, we are satisfied that there is effective medium to longer-term financial planning.

Vision, Leadership and Governance

Independent Living Fund Scotland has clear plans in place to implement its vision, strategy and priorities.

Governance arrangements are appropriate and Independent Living Fund Scotland is open and transparent in the way it conducts business.

Vision, Leadership and Governance

Independent Living Fund Scotland has clear plans in place to implement its vision, strategy and priorities

40. The Strategic Plan was prepared in March 2023. This plan covers the period from 2023 to 2025 with all other business strategies sitting under the Strategic Plan. A new Strategic Plan covering the period 2025 to 2028 has been drafted but has yet to be formally approved by the Board.

41. The vision of Independent Living Fund Scotland is *“All disabled people, and those with a long-term health condition, can access what they need to lead an independent life.”*

42. The Strategic Plan has three strategic priorities which are to:

- Facilitate the independent living needs of disabled people
- Be leaders in enabling independent living
- Operate a high-quality efficient service.

To deliver these three strategic priorities, each one has several key objectives, which are monitored via key performance indicators.

Governance arrangements are appropriate and Independent Living Fund Scotland is open and transparent in the way it conducts business

43. Independent Living Fund Scotland's governance arrangements have been set out in the Annual Governance Statement in the annual report and financial statements. We have reviewed these arrangements and concluded that they are appropriate and support robust scrutiny and challenge of decision-making processes.

44. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources.

45. Independent Living Fund Scotland's website is clear and well structured. Board minutes are available to the public along with key publications including the organisation's strategy, policies, equalities mainstreaming report and the annual report and financial statements.

46. We concluded that the board conducts its business in an open and transparent manner, however there is scope to strengthen Independent Living Fund Scotland's approach to openness and transparency by making the minutes of the Audit and Risk Committee publicly available.

Independent Living Fund Scotland's executive and non-executive directors demonstrate effective leadership, challenge and scrutiny of the organisation's activity and performance

47. The Chief Executive and senior leadership team are responsible for the delivery of critical day-to-day services as well as leading the changes to how services are accessed and delivered within Independent Living Fund Scotland.

48. We have concluded that Independent Living Fund Scotland's executive and non-executive directors have demonstrated effective leadership and scrutiny of the board's activity and performance in 2024/25.

Independent Living Fund Scotland have an IT Strategy in place which aligns with the objectives of the Strategic Plan

49. Our 2023/24 Annual Audit Report included a recommendation for Independent Living Fund Scotland to develop an IT Strategy which aligns with the objectives of the Strategic Plan and sets out the IT resources required to deliver against its corporate objectives. During the course of the year, an IT Strategy was developed and approved by the Board at its October 2024 meeting.

50. We have concluded that Independent Living Fund Scotland's IT strategy is appropriate and sets out clear goals to enable it to assist in the delivery of the key strategic outcomes.

Independent Living Fund Scotland are in the process of replacing the current ICI system

51. Independent Living Fund Scotland are in the process of replacing the current ICI system with a move to the new system planned for February 2026. In preparation for the implementation of the new system, regular meetings have taken place with the supplier and updates provided to the Audit and Risk Committee.

52. We will continue to monitor the arrangements in place in preparation for the implementation of the new system.

Cyber security arrangements are appropriate but the review of assurances from service organisations could be enhanced

53. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2024/25, we considered Independent Living Fund Scotland's arrangements for managing and mitigating cyber security risks for its main financial applications.

54. Independent Living Fund Scotland has developed a suite of policies in relation to IT including a Resilience Framework and Cyber Security Policy. The Audit and Risk Committee receives regular updates on cyber security, the most recent delivered to the meeting in May 2025. In addition, cyber security has been identified in the corporate risk register which is reported to the Audit and Risk Committee and the Board.

55. Payroll services for Independent Living Fund Scotland are outsourced to IRIS FMP who provide end-to-end payroll processing functions. IRIS FMP have a number of accreditations in place including ISO 27001 for Information Security Management. However, Independent Living Fund Scotland do not obtain formal assurances from IRIS FMP on the security, confidentiality and processing integrity of the data held by IRIS FMP on their behalf.

56. Consideration should be given to obtaining an annual ISAE 3402 Type II Report which provides independent assurance over the design, implementation and operating effectiveness of controls in place at the service organisation.

Use of Resources to Improve Outcomes

Effective and suitable arrangements are in place to ensure that resources are utilised to improve strategic outcomes and deliver continuous improvements in priority services.

Independent Living Fund Scotland has developed an appropriate Best Value framework.

Use of Resources to Improve Outcomes

Effective and appropriate arrangements are 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

57. Independent Living Fund Scotland has implemented a programme of continuous improvement which aims to transform access to its services and improve the information provided to recipients' grants. It has also allowed more stringent review of the awarding of grants and their progress.

58. The above programme of improvement aims to make small but sustainable changes to processes and procedures, aided by technology where appropriate. In turn it should improve service delivery and customer experience whilst achieving significant reductions in operational processing time and the cost of physical resources. Regular progress reports are provided to members of the Audit and Risk Committee.

59. Overall, we have concluded that Independent Living Fund Scotland is making effective use of its resources in the delivery of services to recipients.

Independent Living Fund Scotland were able to achieve the majority of their performance targets during 2024/25

60. Independent Living Fund Scotland continued to monitor key performance indicators throughout the year with performance reported to the Board on a regular basis. Performance is assessed by three strategic priorities as outlined in paragraph 40 of this report and each one has several key objectives, which are monitored via key performance

indicators. Independent Living Fund Scotland were able to achieve the majority of their performance targets during 2024/25.

61. Our 2023/24 Annual Audit Report included a recommendation to revise the current key performance indicators to ensure they are measurable and can provide an assessment of performance against strategic objectives. As outlined in paragraph 40, a new Strategic Plan covering the period 2025 to 2028 is currently in draft and has yet to be formally approved by the Board. Key performance indicators which are measurable and can provide an assessment of performance against strategic objectives are being developed alongside the new Strategic Plan.

Duty of Best Value

62. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

63. Consideration of the arrangements Independent Living Fund Scotland has in place to secure Best Value has been carried out alongside the wider scope audit.

Independent Living Fund Scotland has developed an appropriate Best Value framework

64. The Sustainability Report - Best Value and Efficiency Improvements was prepared and presented to the Audit and Risk Committee in May 2025. The report highlights that the principles of Best Value are embedded in how Independent Living Fund Scotland operates and reflects both the rights-based approach to service delivery and engagement and the stewardship of the resources used to provide those services.

65. We concluded that appropriate arrangements were in place for securing Best Value based on the outcome of our other audit work.

Appendix 1 – Action plan 2024/25

Follow-up of 2024/25 interim audit recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Second Officer Checks for Amendments to Supplier Details Amendments to supplier details are processed by one officer and subject to checking by another officer to ensure segregation of duties. During the year, there were 21 amendments to supplier details. However, 19 of these amendments were not evidenced as having been subject to a second officer check. Risk: Without a second officer review, there is a risk that changes made to supplier details result in fraud or error. Risk: Without a second officer review, there is a risk that changes made to supplier details result in fraud or error.	Recommendation: Confirmation of the change processed through the system should be subject to review by a second officer and documented as evidence of the review having taken place. Management response: As recommended, this has now been actioned with immediate effect. Responsible officer: Finance Director Agreed date: 15 April 2025	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Review of Pension Information Independent Living Fund Scotland outsource their payroll function to IRIS FMP. In order to prepare the monthly pay run, finance provide IRIS FMP with the necessary payroll data. As part of this process, there are segregation of duties in place whereby one officer compiles the data and a second officer checks the data. However, our review of the pension master sheet identified that there was no second officer check performed between April 2024 and December 2024. Risk: In the absence of a secondary review, there is a risk that errors in the payroll data are not detected and corrected prior to the pay run.	Recommendation: A second officer review of the pension master sheet should be performed and documented on a monthly basis prior to the provision of payroll data to IRIS FMP for processing. Management response: We are in the process of training a new staff member on the civil service pension rules, this will take some time to get them fully up to speed. Responsible officer: Finance Director Agreed date: 30 November 2025	Implemented
3. Administrator Access for SAGE Our review of the general ledger system identified that the Head of Finance is the sole individual with administrator access, enabling them to approve, remove and amend user accounts. Risk: In the absence of the Head of Finance, there is a risk that amendments to access rights cannot be made in a timely manner.	Recommendation: Management should ensure that appropriate business continuity arrangements are in place with permissions granted to another member of the finance team to enable them to amend access rights in the absence of the Head of Finance. Management response: As recommended, this has now been actioned with immediate effect. Responsible officer: Finance Director Agreed date: 15 April 2025	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
4. Amendments to the Chart of Accounts for SAGE There are no formal procedures in place for making amendments to the chart of accounts for SAGE. Risk: Without a formal procedure in place, there is a risk that staff are unaware of the process to be followed and inappropriate amendments are made to the system.	Recommendation: A formal procedure for making amendments to the chart of the accounts should be implemented and communicated to all finance staff. Management response: A formal process for changes to the chart of accounts will be put in place. Responsible officer: Finance Director Agreed date: 30 June 2025	Implemented

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Internal controls Our 2023/24 audit identified areas where there is scope for improvement to the operation of certain internal controls. Risk: there is a risk that internal controls do not operate effectively resulting in increased opportunity for fraud, error and irregularity to	Recommendation: Management should review the controls around their key financial systems in order to prevent and detect fraud, error and irregularity. Management response: Three of these improvement areas have now been implemented per the follow-up of 2023/24 interim audit recommendations. The fourth improvement area in relation to overtime payments for staff costs is considered to be an isolated issue and was not material to the annual accounts. The control includes a number of manual checks which increases the likelihood of failure. HR/Finance intend to run an internal workshop to clarify overtime policies. Responsible officer: Human Resources and Finance Agreed date: 30 September 2024	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. IT Strategy Independent Living Fund Scotland does not have an IT Strategy in place which aligns with the corporate objectives of the Strategic Plan. Risk: there is a risk that the corporate objectives outlined in the Strategic Plan cannot be achieved due to insufficient IT resources.	Recommendation: Management should develop an IT Strategy which aligns with the strategic objectives of the Strategic plan and sets out the IT resources required to deliver the corporate objectives. Management response: The current in year priority is to reduce the risk exposure to the organisation by replacing the end-of-life ICI system. However, it is timely to refresh and develop a new IT strategy aligned with the emerging strategic priorities of the organisation post re-opening and this will be done by 30 September 2024. Responsible officer: Director of Digital Agreed date: 30 September 2024	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. Key performance indicators The current range of key performance indicators adopted by Independent Living Fund Scotland do not have targets or lend themselves to trend analysis. Therefore, it is difficult to quantify progress against the strategic objectives included in the Strategic Plan. Risk: Independent Living Fund Scotland is unable to assess performance against its strategic objectives.	Recommendation: Key performance indicators should be revised to ensure that they are measurable and can provide an assessment of performance against strategic objectives. Management Response: This financial year we will develop our next strategic plan, and this will run from April 2025 – 2028. Once more is known about the strategic priorities and actions to achieve them, a more detailed set of measures with KPIs can be developed to track progress. However, we believe that with only 9 months of the current plan left and with everything on track to complete, we propose to keep the reporting and success measures as they are but will see what, if anything, can be added as interim indicators. Responsible officer: Chief Operating Officer Agreed date: 1 April 2025	In progress Management response: This is an action point as per the last Audit and Risk Committee. The deadline has been pushed back to give time to align with our new strategy. Responsible officer: Chief Operating Officer Revised target date: 30 September 2025

Appendix 2 – Audit adjustments

Details	Financial statements lines impacted	Statement of Comprehensive Net Income & Expenditure (SoCNIE)		Statement of Changes in Taxpayers' Equity (SoCTE)	
		Dr	Cr	Dr	Cr
Audit adjustments		£000	£000	£000	£000
As outlined per Exhibit 2, (page 10) , reclassification of Grant-in-Aid from funding per the Statement of Changes in Taxpayers' Equity to income per the Statement of Comprehensive Net Income and Expenditure.					
	Grant-in-Aid		62,700		
	Grant-in-Aid from departments			62,700	
Net impact on the financial statements			62,700	62,700	

Appendix 3 – National reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Independent Living Fund Scotland

2024/25 Annual Audit Report



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