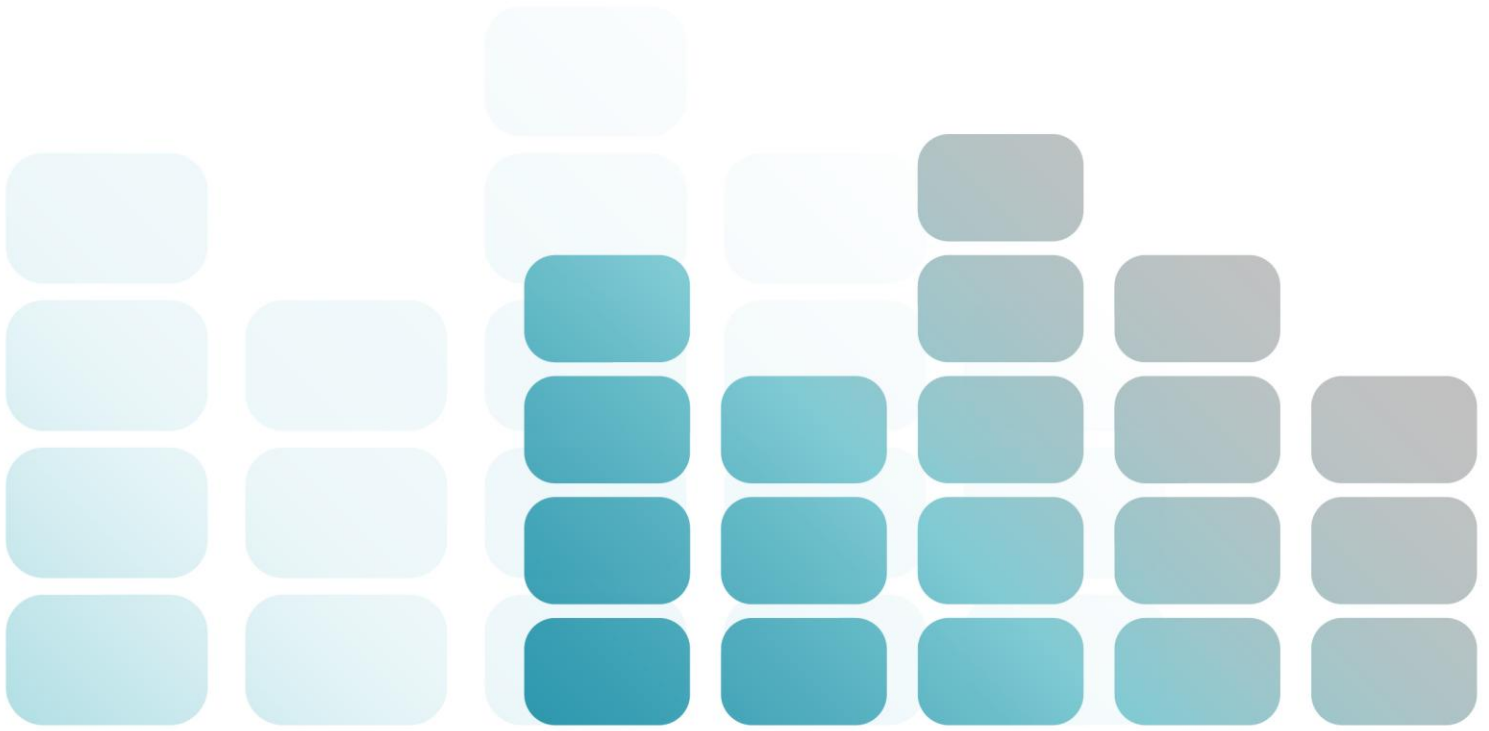


Edinburgh Integration Joint Board

Annual Audit Plan 2025/26



 AUDIT SCOTLAND

Prepared for Edinburgh IJB
February 2026

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Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2025/26 audit of Edinburgh Integration Joint Board (EIJB). It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. Michael Oliphant, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Edinburgh IJB for the period from 2022/23 until 2026/27. The 2025/26 financial year is therefore the fourth of the five-year audit appointment.

3. The appointed auditor and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the body to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (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.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Performance Report and the Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the body'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 body's arrangements for securing Best Value.
- An Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of EIJB and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on EIJB's arrangements in place for the wider scope areas.

EIJB's responsibilities

8. EIJB 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 annual accounts, comprising financial statements that give a true and fair view and other 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.

Audit of the annual accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This section outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. 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 accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the 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.

12. The materiality levels determined for the audit of EIJB are outlined in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for EIJB

Materiality	£
Materiality – based on an assessment of the needs of users of the financial statements and the nature of EIJB operations, the benchmark used to determine materiality is gross expenditure based on the audited 2024/25 financial statements. Materiality has been set at 2% of the benchmark.	£20.4 million
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional	£14.2 million

Materiality

£

judgement, performance materiality has been set at 70% of planning materiality.

Reporting threshold – all misstatements greater than the reporting threshold will be reported. £1.0 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team’s cumulative knowledge of EIJB, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 7](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative process. The assessment of risks set out in Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the EIJB and those charged with governance.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management’s ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business.

Risk of material misstatement	Planned audit response
	<ul style="list-style-type: none"> • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Request and review assurances from the auditors of NHS Lothian and The City of Edinburgh Council in line with the Protocol for Auditor Assurance 2025/26 issued by Audit Scotland.
<p>Change to the presentation of the annual accounts</p> <p>Management intends to revise the presentation of the annual accounts in 2025/26 to reflect changes in the partnership's structure. This will include updating headings in the Comprehensive Income and Expenditure Statement and restructuring segmental disclosures to align with the information reported internally.</p> <p>There is a risk that these changes to the presentation of the accounts may cause information to be incorrectly categorised in 2025/26, and a risk that a failure to implement these revisions appropriately could impact on the clarity of the financial statements and the supporting audit trail.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review management's arrangements for the new format. • Review management's reconciliation between prior year figures and the brought forward figures.
<p>Social care system (SWIFT)</p> <p>The City of Edinburgh Council's social care system (SWIFT) is also a source of financial information for EIJB's financial statements. In 2024/25, external auditors of CEC found a number of cases where there was no agreed payment plan or contract to confirm the rate paid to providers was correct.</p> <p>There is a risk that there may be potential under or overpayments to</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Request assurances from the auditors of CEC on their assessment of the council's ICT environment. • Request assurances from the auditors of CEC on their testing of SWIFT payments.

Risk of material misstatement	Planned audit response
suppliers which could cause EIJB accounts to be materially misstated.	
<p data-bbox="113 412 719 456">Transactions with partner bodies</p> <p data-bbox="113 456 719 734">We identified and reported errors in transactions with partner bodies in previous years. Audit adjustments were processed to correct these errors and confirm that EIJB's income and expenditure agreed with those reported by partner bodies.</p> <p data-bbox="113 734 719 860">There is a risk that transactions with partners bodies are materially misstated in the unaudited annual accounts.</p>	<p data-bbox="719 412 1481 456">The audit team will:</p> <ul data-bbox="719 456 1481 1196" style="list-style-type: none"> <li data-bbox="719 456 1481 667">• Request and review assurances from the auditors of NHS Lothian and The City of Edinburgh Council in line with the Protocol for Auditor Assurance 2025/26 issued by Audit Scotland. <li data-bbox="719 667 1481 860">• Agree transactions with partners bodies to year end letters issued by NHS Lothian and The City of Edinburgh Council from the Director of Finance and Service Director, Finance and Procurement respectively. <li data-bbox="719 860 1481 1070">• Agree transactions with partner bodies to NHS Lothian's audited annual accounts and liaise with the auditors of The City of Edinburgh Council's unaudited accounts to confirm transactions are accurate and consistent. <li data-bbox="719 1070 1481 1196">• Agree related party disclosures are consistent with the figures reported in the Comprehensive Income and Expenditure Statement.

Source: Audit Scotland

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those 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.

17. 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 matters determined to be key audit matters will be communicated in the Annual Audit Report.

Wider scope and Best Value

Introduction

18. The Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on the body being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the body's medium to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering the body's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

19. A conclusion on the effectiveness and appropriateness of arrangements EIJB has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Best Value

20. Under the Code of Audit Practice, there is a duty for auditors to consider the arrangements an audited body has in place to secure Best Value. This applies to EIJB as it falls within section 106 of the Local Government (Scotland) Act 1973.

21. Consideration of the arrangements EIJB has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion will be reported in the Annual Audit Report.

Significant wider scope and Best Value risks

22. The risk assessment process has identified significant risks in wider scope areas and Best Value. These are outlined in Exhibit 3, and includes our planned audit procedures.

Exhibit 3

Significant wider scope and Best Value risks

Description of risk	Planned audit response
<p>Financial management and financial sustainability</p> <p>EIJB continues to face significant future financial pressures with the medium-term financial plan projecting a deficit growing to £87 million by 2027/28 if no action is taken.</p> <p>The most recent financial reporting to the Board in February 2026 showed that against an annual budget for 2025/26 of £985 million, there is a forecast overspend of £8.5 million.</p> <p>The IJB is facing significant financial challenges and relies on additional funding from partners to achieve a break-even position.</p> <p>Continuing to deliver financial balance will mean cuts to service levels, and could involve stopping and/or reducing services, reducing the workforce and more people being delayed in hospitals which brings the risk of partners being unable to meet their statutory obligations.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Monitor the forecast outturn as the year progresses • Consider any action taken by EIJB to reduce the forecast overspend • Review the final outturn as part of our audit of the annual accounts.

Social care system (SWIFT)

The City of Edinburgh Council's social care system (SWIFT) is no longer fit for purpose. SWIFT is also a source of financial information for the IJB's financial statements. The project to replace SWIFT started in August 2024 and the transition to the new system, Mosaic, is expected in June 2026.

Relying on legacy systems increases the risk of IT application failure, data quality issues and cyber-attacks.

The audit team will:

- Request assurances from the auditors of CEC on their assessment of the council's ICT environment.
- Liaise with the auditors of CEC and monitor the progress with implementation of the replacement social care operating system.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

23. The outputs from the 2025/26 audit include:

- The Annual Audit Plan.
- An Independent Auditor's Report to EIJB and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to EIJB and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, recommendations, where required, and any good practice identified.

24. The matters to be reported in the outputs will be discussed with EIJB for factual accuracy before they are issued. All outputs from the audit will be published on [Audit Scotland's website](#), apart from the Independent Auditor's Report, which is included in the audited annual accounts.

25. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates, consideration is given to the statutory date for approving the annual accounts, which is 30 September 2026 for local government bodies.

26. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2026.

Audit timetable

27. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 4](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with EIJB and reported to those charged with governance, where required.

Exhibit 4

2025/26 audit timetable

Audit activity	The body target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan		17 February 2026	3 March 2026
Annual accounts:			
• Consideration of unaudited annual accounts by those charged with governance	15 June 2026		15 June 2026
• Submission of unaudited annual accounts and all working papers to audit team	19 June 2026		
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		8 September 2026	15 September 2026
• Agreement of audited and unsigned annual accounts	8 September 2026	8 September 2026	
• Approval by those charged with governance and signing of audited annual accounts	22 September 2026		22 September 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report		22 September 2026	

Source: Audit Scotland

Audit fee

28. EIJB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2025/26 audit is £35,480 (representing a 4.3% increase on the 2024/25 fee of £34,000).

29. In setting the audit fee, it is assumed that the body has effective governance arrangements in place and comprehensive annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

30. EIJB is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

31. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2025/26 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

32. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

33. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2025/26 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

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

35. Audit Scotland may periodically seek the views of the body on the quality of audit services provided. The audit team would also welcome feedback at any time.

Edinburgh Integration Joint Board

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