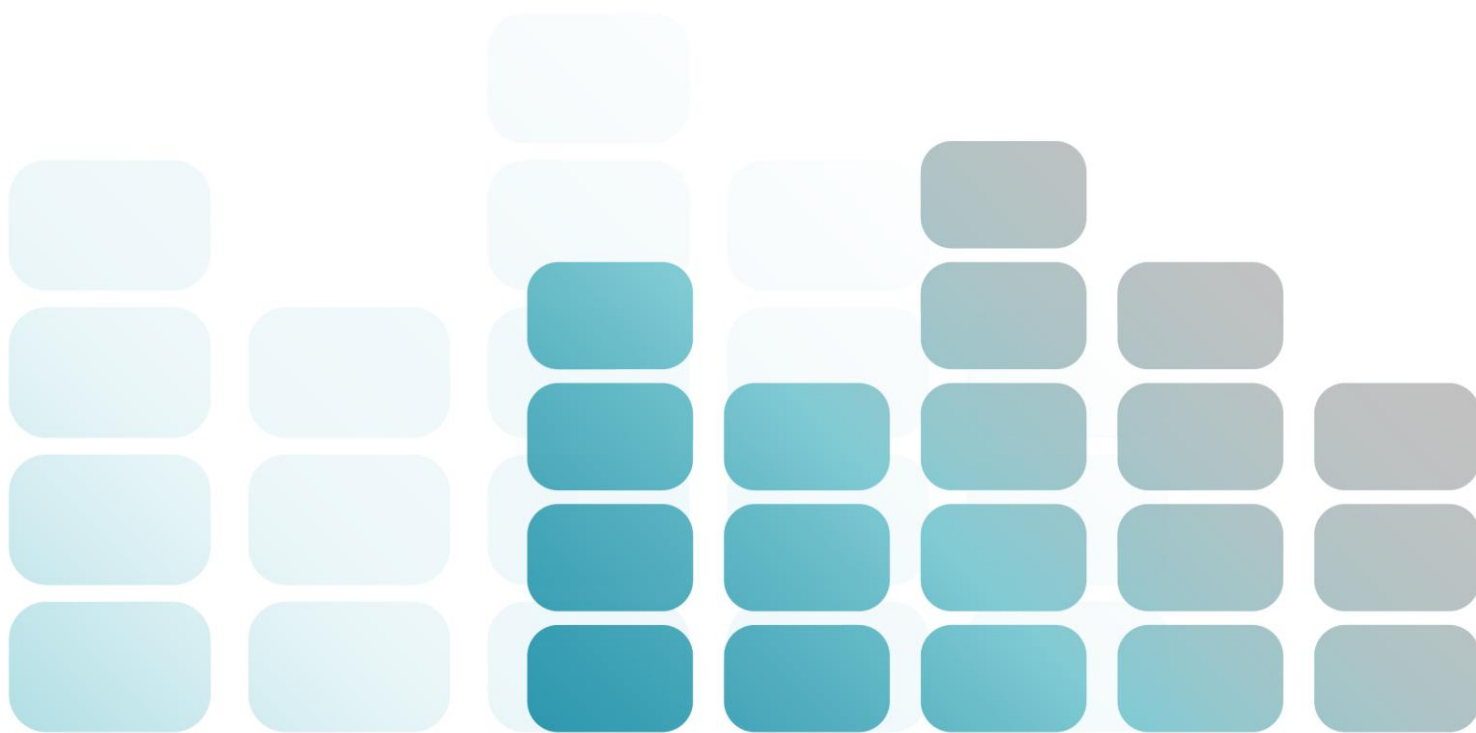


Scottish Borders Integration Joint Board

Annual Audit Plan 2025/26



Prepared for Scottish Borders Integration Joint Board

March 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 Scottish Borders Integration Joint Board's (Scottish Borders IJB) annual accounts. 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. John Boyd, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Scottish Borders 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. John Boyd and the audit team are independent of Scottish Borders IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. 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 Management Commentary and the Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on Scottish Borders IJB'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.
- Provision of 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 Scottish Borders IJB 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 Scottish Borders IJB's arrangements in place for the wider scope areas.

Scottish Borders IJB's responsibilities

8. Scottish Borders IJB 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 chapter 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 Scottish Borders IJB are outlined in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for Scottish Borders IJB

Materiality	Scottish Borders IJB
Materiality – based on an assessment of the needs of users of the financial statements and the nature of Scottish Borders IJB 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.	£5.221 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	£3.916 million

Materiality	Scottish Borders IJB
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judgement, performance materiality has been set at 75% of planning materiality.

Reporting threshold – all misstatements greater than the reporting threshold will be reported. The reporting threshold has been set at 5% of materiality.	£0.261 million
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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 the body, 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 and dynamic process. The assessment of risks set out in this Annual Audit Plan and [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 Scottish Borders IJB and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Significant 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>As part of our audit planning work we have identified a significant financial statement level risk in relation to</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Agree balances and transactions to Scottish Borders Council and NHS Borders financial reports, ledgers and correspondence. • Assurances will be obtained from the auditors of Scottish Borders Council and NHS Borders over the completeness, accuracy and allocation of income and expenditure. • Review of significant adjustments at year end where we consider there to be greatest risk of

Significant risk of material misstatement	Planned audit response
management override of controls, focussing the risk on areas of greatest opportunity and incentive for fraud.	<p>material misstatement through management override of controls.</p> <ul style="list-style-type: none"> • Review of financial monitoring reports during the year. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for disclosing related party relationships with the Council and health board and transactions with these bodies in the financial statements.

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.

18. The matters determined to be key audit matters will be communicated in the Annual Audit Report. [Exhibit 2](#) outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Wider scope and Best Value

Introduction

19. Reflecting the fact that public money is involved, 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 set out by the Code of Audit Practice 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 Scottish Borders IJB 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 Scottish Borders IJB’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 Scottish Borders IJB’s arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

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

Best Value

21. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973, which the body does.

22. Consideration of the arrangements Scottish Borders IJB has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements the body has in place will be reported in the Annual Audit Report.

Significant wider scope and Best Value risks

23. The risk assessment process has identified significant risks in the wider scope areas and Best Value as outlined in Exhibit 3, and this includes the planned audit procedures in response to the risks.

Exhibit 3

Significant wider scope and Best Value risks

Description of risk	Planned audit response
<p>Financial sustainability</p> <p>Scottish Borders IJB faces significant financial challenges. Scottish Borders IJB has established medium and longer term financial plans which forecast a cumulative budget gap of £34.2 million from 2025/26 to 2029/30.</p> <p>Budgetary pressures include inflationary and demand pressures. It is important that the IJB works with partner bodies to establish a financially sustainable operating model.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Establish the extent to which Scottish Borders IJB's plans have been developed to incorporate funding and savings assumptions in order to establish a financially sustainable operating model. • Review the plans in place to identify budget gaps. • Review any other financial plans developed and assess the appropriateness of the financial plans and any assumptions made. • Review financial monitoring reports to assess the financial position, including progress of partner bodies in achieving planned savings. • Review controls in place and updates to financial plans to assess financial sustainability.

Vision, Leadership and Governance

Scottish Borders IJB's Chief Officer resigned in April 2025 and a successor has still to be appointed. In the interim period, the Chief Executives of Scottish Borders Council and NHS Borders have fulfilled this function as the recruitment process has been underway. The Chief Finance Officer position is also currently being fulfilled on an interim basis.

The IJB has a statutory responsibility to ensure these positions are filled.

In the absence of a permanent Chief officer, there is a risk that Scottish Borders IJB lacks clear executive leadership and strategic oversight.

Due the increasing financial and operational challenges facing the IJB, these statutory leadership roles require to be filled on a permanent basis as soon as possible.

Scottish Borders IJB should also ensure that delegated responsibilities in the absence of a permanent Chief Officer are clearly documented.

The audit team will:

- Consider Scottish Border IJB's progress on recruitment of a permanent Chief Officer.
- Review interim governance arrangements to ensure these remain appropriate.
- Review the strategic framework and ensure strategic priorities remain on track.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

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

- This Annual Audit Plan.
- An Independent Auditor's Report to Scottish Borders IJB and the Accounts Commission setting out opinions on the annual accounts
- An Annual Audit Report to Scottish Borders IJB 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.

25. The matters to be reported in the outputs will be discussed with Scottish Borders IJB 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.

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

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

Audit timetable

28. 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 the body and reported to those charged with governance, where required.

Exhibit 4

2025/26 audit timetable

Audit activity	Scottish Borders IJB target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan	N/A	16 March 2026	16 March 2026
Annual accounts:			
• Consideration of unaudited annual accounts by those charged with governance	30 June 2026	N/A	15 June 2026
• Submission of unaudited annual accounts and all working papers to audit team	30 June 2026	N/A	N/A
• Latest date for audit clearance meeting	4 September 2026	4 September 2026	N/A
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	N/A	8 September	21 September 2026
• Agreement of audited and unsigned annual accounts	14 September 2026	14 September 2026	N/A
• Approval by those charged with governance and signing of audited annual accounts	21 September 2026	N/A	21 September 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report	N/A	30 September 2026	N/A

Source: Audit Scotland

Audit fee

29. Scottish Borders IJB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The agreed audit fee for the 2025/26 audit is set out in [Exhibit 5](#).

30. In setting the audit fee, it is assumed that Scottish Borders IJB has effective governance arrangements in place and the complete 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.

Exhibit 5

Audit fee

Fee component ¹	Fee (£)
External auditor remuneration, limited to sectoral cap increase	27,110
Pooled costs, such as travel and subsistence costs	1,310
Contribution to the performance audit programme	7,060
Total 2025/26 fee	35,480

Source: Audit Scotland

¹ Information on the components that make up the total fee can be found in Audit Scotland's [Audit management and quality guidance](#).

Other matters

Internal audit

31. Scottish Borders IJB's internal audit function is provided jointly by the internal audit teams of Scottish Borders Council and NHS Borders.

32. While we are not planning to place formal reliance in the work of internal audit in 2025/26, we may consider aspects of Internal Audit's work in respect of our wider dimension responsibilities.

33. Due to resource capacity issues, internal audits work on the IJB was paused in year. It is hoped that this work will resume in Q4 of 2025/26. We will continue to monitor the progress of this work and any potential impact this may have on Scottish Borders IJB's Annual Governance Statement.

Audit quality

34. 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](#).

35. 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.

36. 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.

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

38. Audit Scotland may periodically seek the views of Scottish Borders IJB on the quality of audit services provided. The audit team would also welcome feedback at any time.

Scottish Borders Integration Joint Board

Annual Audit Plan 2025/26



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500

www.audit.scot