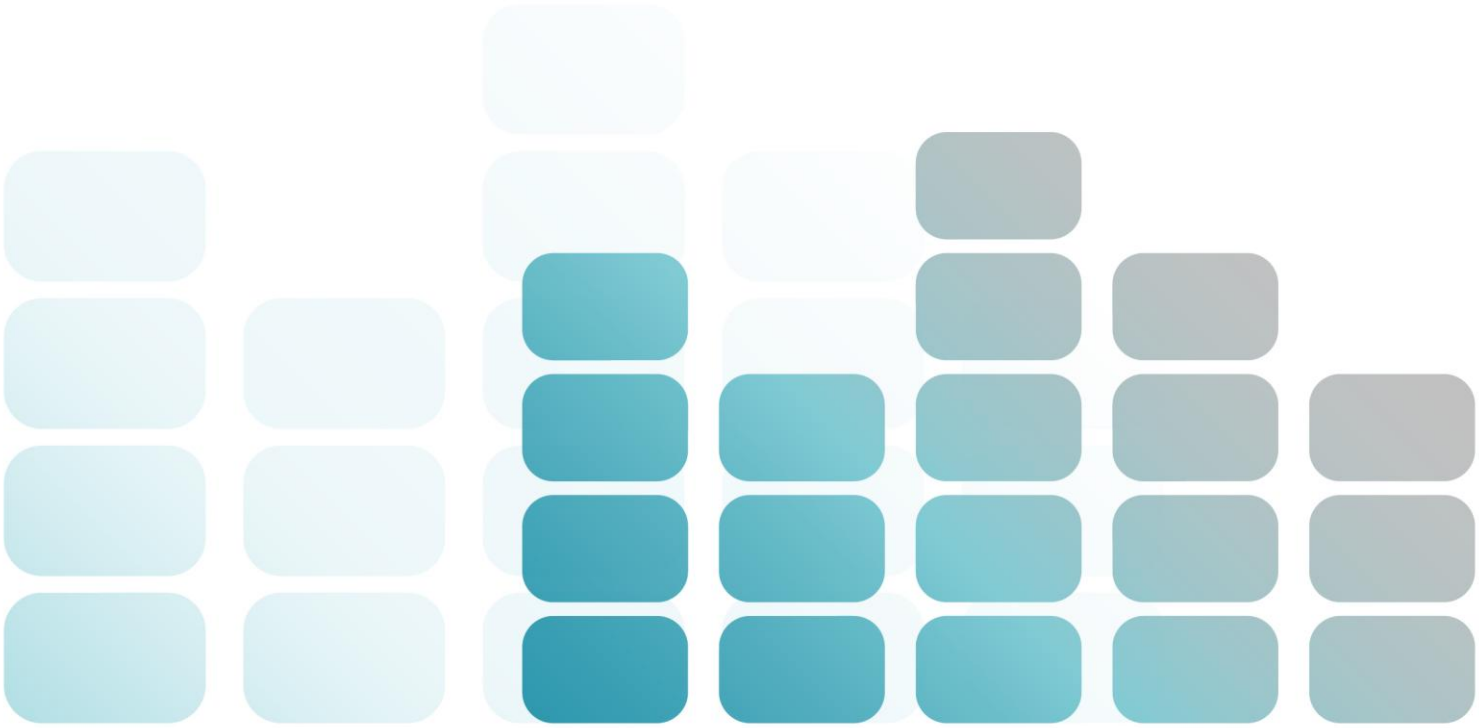
Cùram Is Slàinte nan Eilean Siar

Annual Audit Plan 2024/25



AUDIT SCOTLAND

Prepared for Prepared for Cùram Is Slàinte nan Eilean Siar (Western Isles Integration Joint Board)

September 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 2024/25 audit of Western Isles Integration Joint Board's 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. Claire Gardiner, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Western Isles Integration Joint Board, hereafter referred to as 'the IJB', for the period from 2023/24 until 2026/27. The 2024/25 financial year is therefore the second of Claire's four-year audit appointment.

3. Claire Gardiner and the audit team are independent of the 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 IJB 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 the 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 IJB'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 the 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 the IJB's arrangements in place for the wider scope areas.

The IJB's responsibilities

8. The 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. 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. 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 the IJB are outlined in Exhibit 1.

Exhibit 1

2024/25 Materiality levels for the IJB

Materiality	Amount
Materiality – based on an assessment of the needs of users of the financial statements and the nature of IJB's operations, the benchmark used to determine materiality is gross expenditure based on the unaudited 2024/25 financial statements. Materiality has been set at 2% of the benchmark.	£1.9 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 judgement, performance materiality has been set at 60% of planning materiality.	£1.1 million

Materiality	Amount
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£0.095 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 the IJB, 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. 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 the body and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
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.	• Agreement of balances and transactions to Comhairle nan Eilean Siar and NHS Western Isles financial reports/ledger and correspondence. • Constituent body auditor assurances will be obtained over the completeness, accuracy and allocation of income and expenditure to Western Isles Integration Joint Board activities included in the annual accounts. • Review of year-end transactions and journals. • Evaluate any significant unusual transactions outside the normal course of business.

Risk of material misstatement	Planned audit response
Continued impact of the 2023 cyber-attack on Comhairle nan Eilean Siar The IJB accounts were subject to a disclaimed audit opinion in 2023/24. This was due to a cyber-attack in November 2023 on Comhairle nan Eilean Siar which resulted in the loss of key financial systems, including those used to prepare financial data for to the IJB. This creates an increased risk of material misstatement in the following areas, specifically where data is obtained from Comhairle nan Eilean Siar: • 2023/24 comparative figures which may remain unauditable. • Opening balances held at 1 April 2024. • Transactions recorded at the end of 2023/24 and of the start of 2024/25, specifically whether they were recorded in the correct period.	The audit team will: • Review work undertaken by the Comhairle nan Eilean Siar external auditor in 2024/25 in relation to these risks. • Consider the impact of a lack of assurance over 2023/24 comparative figures on the 2024/25 audit opinion.

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 the 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 the 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 the IJB's arrangements for ensuing 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 the 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 IJB 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 IJB does.

22. Consideration of the arrangements the IJB has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements the IJB 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
Governance Arrangements Due to delays in completion of the audit, our 2023/24 Annual Audit Report reported governance weaknesses that were present during 2025/26, including the absence of a substantive Chief Officer and the frequent cancellation of Audit and Risk Committee meetings. These weaknesses increase the risk that effective governance and scrutiny are not in place and were therefore a key consideration in our 2024/25 wider scope audit work.	The audit team will: • Update on the status of the Chief Officer post • Attend, observe and participate in the audit and risk committee meetings. • Follow up on prior year recommendations relating to governance arrangements
Financial sustainability Western Isles Integration Joint Board approved its three year financial plan to 2027/28. The plan is forecasting a cumulative funding gap in the region of £7 million to 2027/28. The latest partner funding levels, cost pressures and inflation figures have been applied in the financial plan and these pressures will continue to present significant challenges to financial planning and the ability of the IJB to deliver quality services. There is a risk that the IJB may not be able to deliver services over the medium term within budget.	The audit team will: • Monitor the IJBs financial position as reported to the board, and audit and risk committee. • Attend, observe and participate in the audit and risk committee meetings. • Perform a review of the three-year financial plan, and report in our Annual Audit Report.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

24. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the IJB and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to the IAR 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 the 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 was 30 September 2025 for local government bodies.

27. The audit team has been unable to achieve the target date of 30 September 2025 for issuing the Independent Auditor's Report and Annual Audit Report. This reflects the ongoing impact of the 2023 cyber-attack on Comhairle nan Eilean Siar, which significantly disrupted financial reporting and audit activity and resulted in delays to the completion of prior year audits. While substantial progress has been made in recovering from these circumstances, the resulting backlog means that the audit timetable has not yet returned to pre-attack timescales.

28. Although it is unlikely that audits will return to the standard target dates during the current five-year audit appointment, auditors and the Comhairle will continue to work together to minimise delays wherever possible. This approach aims to support an effective and efficient audit process and facilitate a smooth transition at the end of the audit appointment period.

Audit timetable

29. 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 3 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 IJB and reported to those charged with governance, where required.

Exhibit 3
2024/25 audit timetable

Audit activity	Western Isles IJB target date	Audit team target date	Relevant committee date
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	N/A	4 September 2026	17 September 2026
• Approval by those charged with governance and signing of audited annual accounts	N/A	N/A	17 September 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report	17 September 2026	17 September 2026	17 September 2026

Source: Audit Scotland

Audit fee

30. The IJB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is £37,400 (2023/24: £37,000).

31. The proposed fee is higher than the indicative fee set out in the fee letter (£34,000) and reflects the continuing impact of the 2023 cyber-attack on Comhairle nan Eilean Siar. Additional audit work has been required to address the resulting audit risks and delays, including increased senior audit team involvement, consultation with Audit Scotland's technical support team, and review through a moderation panel to support the audit opinion.

32. In setting the audit fee, it is assumed that the 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.

Other matters

Internal audit

33. The IJB 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.

34. 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 2024/25 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

35. 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.

36. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 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.

37. 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.

38. 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 monitors on a regular basis by Audit Scotland's Quality and Ethics Committee.

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

Cùram Is Slàinte nan Eilean Siar

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