

Cùram Is Slàinte nan Eilean Siar

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

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

March 2024

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Introduction

Summary of planned audit work

1. Claire Gardiner has been appointed by the Accounts Commission as external auditor of Western Isles Integration Joint Board (also referred to as the IJB) for the period from 2023/24 until 2026/27. The 2023/24 financial year is therefore the first year with Claire as appointed auditor and the second year of our five-year appointment. A brief biography of the audit team is provided at [Appendix 1](#).

2. This document summarises the work plan for our 2023/24 audit. The main elements of the audit include:

- 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 audit opinion on other statutory information published with the financial statements in the annual accounts, including the Management Commentary, the Annual Governance Statement, and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements.

Respective responsibilities of the auditor and Western Isles Integration Joint Board

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and Western Isles Integration Joint Board. Key responsibilities are summarised below.

Auditor responsibilities

4. The appointed auditor's responsibilities are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at Western Isles Integration Joint Board. In doing this, we aim to support improvement and accountability.

Western Isles Integration Joint Board's responsibilities

6. Western Isles Integration Joint Board is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and fair view. Western Isles Integration Joint Board is also required to produce other reports in the Annual Accounts in accordance with statutory requirements.

7. Western Isles Integration Joint Board has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver their objectives.

Adding Value

Our team aim to add value by:

- tailoring audit work to the circumstances of Western Isles Integration Joint Board and the audit risks identified
- being constructive and forward looking
- providing independent conclusions
- attending meetings of the Audit and Risk Committee, and
- recommending and encouraging good practice.

8. In so doing, we will help Western Isles Integration Joint Board promote improved standards of governance, better management and decision making, and more effective use of resources.

Annual accounts

Introduction

9. The annual accounts are an essential part of demonstrating Western Isles Integration Joint Board's stewardship of resources and its performance in the use of those resources.

10. We are required to perform an audit of the financial statements, consider other information within the annual accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

11. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for Western Isles Integration Joint Board are set out below.

Exhibit 1

2023/24 Materiality levels for Western Isles IJB

Materiality	Amount
<p>Planning materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the Western Isles Integration Joint Board's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.</p>	£1.88 million

Materiality	Amount
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 60% of planning materiality.	£1.13 million
Reporting threshold (i.e. clearly trivial): We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£94,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of the Western Isles Integration Joint Board, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risk of material misstatement to the financial statements. Significant risks are those which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk identified, management's sources of assurance over this risk, and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud</p>	Owing to the nature of this risk, assurances from management are not applicable in this instance.	<ul style="list-style-type: none"> Agreement of balances and transactions to Comhairle nan Eilean Siar and NHS Western Isles financial reports/ledger and correspondence.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>because of management's ability to override controls that otherwise appear to be operating effectively.</p>		<ul style="list-style-type: none"> • 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.
<p>2. Cyber-attack at Comhairle nan Eilean Siar – Impact on IJB</p> <p>In November 2023 there was a significant cyber attack on Comhairle nan Eilean Siar resulting in a loss of access to data, including the financial ledger system.</p> <p>The IJB commissions social care services from the Comhairle and relies on information from its systems to create the IJB's annual accounts.</p> <p>At the current time it is not clear what information the Comhairle will be able to provide to support the transactions and balances in the financial statements of the IJB. There remains a strong possibility that there will be limitations in the completeness and accuracy of the accounting records provided by the Comhairle to support the financial statements of the IJB. This</p>	<p>The IJB's Chief Financial Officer (CFO) will be seeking assurances from the Chief Financial Officer at Comhairle nan Eilean Siar on the reliance that can be placed on the year-end outturn figures that feed into the IJB's accounts.</p>	<ul style="list-style-type: none"> • Assess the reliability of transactions and disclosures in the financial statements. • Where estimates have been used to inform figures reported in the financial statements we will evaluate the appropriateness of assumptions and calculations which underpin key figures. • Review the disclosures included in the annual accounts.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
may result in a modified audit opinion.		

Source: Audit Scotland

17. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

18. We assess that the risk of material misstatement arising from fraud over income is limited as the IJB does not raise any revenue directly. Western Isles Integration Joint Board is wholly funded by Comhairle nan Eilean Siar and NHS Western Isles and this limits the opportunity for manipulation.

19. In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

20. We have rebutted this risk on the basis that all transactions are processed by the partner bodies rather than Western Isles Integration Joint Board directly and that all expenditure is undertaken by the partners who are public sector bodies.

21. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

22. As part of our assessment of audit risks, we have not identified any other areas where we consider there are also risks of material misstatement to the financial statements.

Wider Scope and Best Value

Introduction

23. Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit and requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

24. In summary, the four wider scope areas are:

- **Financial management:** means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability:** We will look ahead to consider whether Western Isles Integration Joint Board have shown regard to financial sustainability and are planning ahead effectively. We look at planning for the medium term (two to five years) and longer term (longer than five years). We will also comment on financial sustainability in the longer term.
- **Vision, leadership, and governance:** Integration Joint Board's must have a clear vision and strategy and work together with partners and communities to improve outcomes. We will consider the arrangements in place to deliver the vision, strategy and priorities adopted by Western Isles Integration Joint Board and the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes:** Integration Joint Board's must make best use of their resources to meet stated outcomes and improvement objectives. We will consider how the Western Isles Integration Joint Board demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risks

25. We have identified significant risks in the wider scope areas set out in [Exhibit 3](#). This exhibit sets out the risks, management's sources of assurance for the risks, and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 3

2023/24 wider scope risks

Description of risk	Management's sources of assurance	Planned audit response
<p>1. Financial sustainability</p> <p>Western Isles Integration Joint Board has prepared a draft three year financial plan to 2026/27. The latest plan is forecasting a cumulative funding gap in the region of £6 million to 2026/27.</p> <p>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.</p> <p>There is a risk that the IJB may not be able to deliver services over the medium term within budget.</p>	<p>Integration Joint Board financial monitoring reports and other financial reports (including the three year financial plan) are normally presented to the Integration Joint Board for scrutiny and approval. However, due to the cyber attack at Comhairle nan Eilean Siar, there have been no financial monitoring reports presented since month 6.</p> <p>The Integration Joint Board risk register is presented to the Integration Joint Board Audit & Risk Committee enabling members to discharge their scrutiny role.</p>	<ul style="list-style-type: none"> • Perform a review of the three year financial plan, and report in our Annual Audit Report. <p>Monitor the IJBs financial position as reported to the board, and audit and risk committee.</p> <ul style="list-style-type: none"> • Attend, observe and participate in the audit and risk committee meetings.

Source: Audit Scotland

26. Our planned work on the wider scope areas is risk based and proportionate, and in addition to local risks, we may be asked by the Accounts Commission to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years.

Cyber Security

27. There continues to be significant risk of cyber-attacks, and it is important that they have appropriate cyber security arrangements in place. The cyber-attacks on the Comhairle and other public sector bodies have demonstrated the significant impact that a cyber-attack can have on both finances and operations of an organisation. In 2023/24, we will consider the arrangements for managing and mitigating cyber security risks.

Best Value

28. Integration Joint Boards have a statutory duty to make arrangements to secure Best Value. We will consider how Western Isles Integration Joint Board demonstrates that it is meeting its Best Value responsibilities and we will report our findings as part of our Annual Audit Report.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

29. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

30. We will provide:

- an Independent Auditor's Report to Western Isles Integration Joint Board and the Accounts Commission setting out our opinions on the annual accounts
- Western Isles Integration Joint Board and the Accounts Commission with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

31. [Exhibit 4](#) outlines the target dates for our audit outputs set by the Accounts Commission. In determining the target reporting date, due regard is paid to the dates for approving the annual accounts set out in regulations of 30 September 2024. We anticipate that the 2023/24 accounts will not be signed off in line with the target dates due to the impact of the cyber-attack. We will work with management to minimise the delays to signing the accounts.

32. We plan to issue our Independent Auditor's Report and Annual Audit Report by the target date.

Exhibit 4

2023/24 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2024	5 June 2024
Independent Auditor's Report	30 September 2024	TBC
Annual Audit Report	30 September 2024	TBC

Source: Audit Scotland

33. All Annual Audit Plans and the outputs detailed in [Exhibit 4](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

34. There is a high degree of uncertainty at this stage regarding the timetable for producing the annual accounts for audit. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 5

Proposed annual accounts timetable

Key stage	Provisional Dates
Consideration of the unaudited annual accounts by those charged with governance	TBC
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	TBC
Latest date for final clearance meeting with the Chief Finance Officer	TBC
Issue of Letter of Representation and proposed Independent Auditor's Report	TBC
Agreement of audited and unsigned annual accounts	TBC
Issue of Annual Audit Report to those charged with governance	TBC
Signed Independent Auditor's Report	TBC

Source: Audit Scotland

Audit fee

35. In determining the audit fee, we have taken account of the risk exposure of Western Isles Integration Joint Board and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. We have initially set our audit fee for 2023/24 at £33,360.

36. We anticipate that the audit fee will increase due to the reduction in performance materiality resulting in increased audit testing, additional testing required on any estimates provided by the Comhairle, and the increased need for consultation with professional support on any modification to our opinion. We will consider the impact of any additional work throughout the audit and we will report our final fee as part of our annual audit report.

We have assumed that Western Isles Integration Joint Board has effective governance arrangements and there will be no further changes in respect of the scope of the audit during the year.

Other matters

Internal audit

37. It is the responsibility of the Western Isles Integration Joint Board to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

38. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

39. We are independent of Western Isles Integration Joint Board 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.

40. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

41. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of Western Isles Integration Joint Board.

Audit Quality

42. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

43. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 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. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring

arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

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

45. 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 regularly monitored by Audit Scotland's Quality and Ethics Committee.

46. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Appendix 1: Your audit team

The audit team involved in the audit of the Western Isles Integration Joint Board have significant experience in public sector audit.

Claire Gardiner
Audit Director
cgardiner@audit-scotland.gov.uk

Claire has over 19 years of public sector auditing experience. Claire has worked across the breadth of the public sector on financial audits.

Asif A Haseeb OBE
Senior Audit Manager
ahaseeb@audit-scotland.gov.uk

Asif has over 30 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Martin Devenny
Senior Auditor
mdevenny@audit-scotland.gov.uk

Martin is experienced in planning and delivering audits. Martin will manage the team and work alongside the Senior Audit Manager and Audit Director to deliver the audit.

47. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

Western Isles Integration Joint Board

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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