

# Independent Living Fund Scotland

2023/24 Annual Audit Report



 AUDIT SCOTLAND

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

June 2024

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# Key messages

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## 2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 Key risks arising from the audit of Independent Living Fund Scotland annual report and accounts in my Annual Audit Plan were presented to the Audit Committee in April 2024. There are no significant matters from that work to draw to the attention of the Audit and Risk Committee.
- 3 There was one significant finding in our audit of the Annual Report and Accounts.

## Financial management and sustainability

- 4 Independent Living Fund Scotland had appropriate and effective financial management arrangements in place, with regular budget monitoring reports provided to the Board.
- 5 Independent Living Fund Scotland operated within its revised fiscal resources, reporting an underspend of £0.5 million.
- 6 There is scope for enhancing some financial systems of internal controls. However, standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate.
- 7 Independent Living Fund Scotland has developed a five-year medium-term financial plan covering the period 2023/24 to 2027/28 and is planning effectively so it can continue to deliver services in the medium to long-term.

## Vision, leadership, and governance

- 8 Independent Living Fund Scotland has clear plans in place to implement its vision, strategy and priorities.
- 9 Governance arrangements are appropriate and Independent Living Fund Scotland is open and transparent in the way it conducts business.
- 10 Executive and non-executive directors demonstrate effective leadership, challenge and scrutiny of the organisation's activity and performance.

- 11 Independent Living Fund Scotland does not have an IT Strategy in place which aligns with the strategic objectives of the Strategic Plan.

### **Use of resources to improve outcomes**

- 12 Independent Living Fund Scotland has effective and appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.
- 13 Independent Living Fund Scotland has developed an appropriate best value framework.
- 14 Independent Living Fund Scotland were able to achieve all of their performance targets during 2023/24, however should revise their current key performance indicators to ensure that they are measurable and can provide an assessment of performance against strategic objectives.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 audit of Independent Living Fund Scotland. The scope of the audit was set out in an Annual Audit Plan presented to the April 2024 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of Independent Living Fund Scotland’s annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

**2.** This report is addressed to the Audit and Risk Committee of Independent Living Fund Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment

**3.** I, Kyle McAulay, have been appointed by the Auditor General for Scotland as auditor of Independent Living Fund Scotland for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second year of my five-year appointment.

**4.** My team and I would like to thank Board members, Audit and Risk Committee members, executive directors, and other staff, particularly those in finance, for their cooperation and assistance in this year’s audit, and we look forward to working together constructively over the course of the remainder of the five-year appointment.

## Responsibilities and reporting

**5.** Independent Living Fund Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the account's direction from the Scottish Ministers. Independent Living Fund Scotland is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**6.** My responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice 2021, supplementary guidance and International Standards on Auditing in the UK (ISAs).

**7.** Weaknesses or risks identified are only those which have come to the attention of the audit team during our normal audit work and may not be all that exist. Communicating these does not absolve management of Independent Living Fund Scotland from its responsibility to address the issues I raise and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## **Auditor Independence**

**9.** I can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. I can also confirm that I have not undertaken any non-audit related services. I am not aware of any relationships that could compromise our objectivity and independence.

**10.** The 2023/24 Annual Audit Plan set out an audit fee of £29,240 for the 2023/24 audit. However, a rebate of £118 was issued, relating to previous years audit fees, resulting in a final audit fee of £29,122.

**11.** The annual audit adds value to Independent Living Fund Scotland by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability
- sharing intelligence and good practice identified.

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# 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

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## Main judgements

Audit opinions on the annual report and accounts are unmodified.

Key risks arising from the audit of Independent Living Fund Scotland annual report and accounts in my Annual Audit Plan were presented to the Audit Committee in April 2024. There are no significant matters from that work to draw to the attention of the Audit and Risk Committee.

There was one significant finding in our audit of the Annual Report and Accounts.

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## Audit opinions on the annual report and accounts are unmodified

**12.** The Board approved the annual report and accounts for Independent Living Fund Scotland for the year ended 31 March 2024 on 25 June 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the Remuneration and Staff Report was prepared in accordance with the financial reporting framework
- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

## The unaudited annual report and accounts were received in line with the agreed audit timetable

**13.** The unaudited annual report and accounts were received in line with the agreed audit timetable on 24 April 2024. This was ahead of the planned date agreed in our Annual Audit Plan of 26 April 2024.

**14.** We received good support from management and the wider finance team which enabled us to complete the audit in accordance with the agreed timetable.

## Overall materiality was assessed as £1.1 million

**15.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**16.** My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£1.1 million
Performance materiality	£0.6 million
Reporting threshold	£55,000

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**17.** The overall materiality threshold was set with reference to gross expenditure which I judged as the figure most relevant to the users of the financial statements.

**18.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60% of overall materiality, reflecting the fact there were no significant issues identified in the prior year audit impacting our audit approach.



**19.** It is my responsibility to request that all misstatements are corrected other than those below the reporting threshold. The final decision on making the correction lies with the Board.

## Significant findings and key audit matters

**20.** Under ISA (UK) 260, I communicate significant findings from the audit to the Board, including my view about the qualitative aspects of the Board's accounting practices.

**21.** The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance. The significant findings are summarised in [Exhibit 2](#).

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### Exhibit 2

## Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p><b>1. Pension Information</b></p> <p>Accrued pension benefits for directors were not included in the 2023/24 annual report and accounts due an exceptional delay in the calculation of these figures following the application of the public service pension remedy.</p> <p>The 2023/24 Government Financial Reporting Manual was revised to enable bodies to include a disclosure explaining why the information was not included in the 2023/24 annual report and accounts.</p>	<p>Management have included the required disclosure in the 2023/24 annual report and accounts.</p>

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## Audit work responded to the risks of material misstatement we identified in the annual report and accounts

**22.** My team and I have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in my 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 3

### Identified Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, 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>	<ul style="list-style-type: none"> <li>• We assessed the design and implementation of controls over journal entry processing.</li> <li>• We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• We tested journals at the year-end and post-closing entries and focussed on significant risk areas.</li> <li>• We considered the need to test journal entries and other adjustments throughout the year.</li> <li>• We evaluated significant transactions outside the normal course of business.</li> <li>• We assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> <li>• We assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• We conducted substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• We focussed testing of accounting accruals and prepayments.</li> </ul>	<p><b>Results:</b> Work undertaken included detailed testing of journal entries, accruals, prepayments and invoices; as well as a review of accounting estimates and transactions for appropriateness.</p> <p>Specific enquiries were made of individual staff as to whether they had knowledge or awareness of manipulation of financial recording or processing of fraudulent journals.</p> <p><b>Conclusion:</b> No incidents of management override of controls were identified.</p>

**23.** In addition, I identified “areas of audit focus” in my 2023/24 Annual Audit Plan where I considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **Grants to individuals – year end:** There is a degree of management judgement involved in determining whether a constructive obligation exists at the year-end for the accrual of grants to individuals and the estimated value of the obligation. This represents an increased risk of misstatement in the financial statements.

We assessed the design and implementation of controls over grant payments. We assessed the revised methodology adopted in 2023/24 for the calculation of the year-end accrual and substantively tested a sample of grant payments to ensure expenditure is recognised in the correct financial year.

**24.** My team and I kept these areas under review throughout the audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

### **Good progress was made on prior year recommendations**

**25.** Independent Living Fund Scotland has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 2](#).

### **Other findings**

**26.** Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts. This is normal audit practice and none of the presentational changes have any impact on Independent Living Fund Scotland’s outturn for the year.

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusion

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

Independent Living Fund Scotland operated within its revised fiscal resources, reporting an underspend of £0.5 million.

There is scope for enhancing some financial systems of internal controls. However, standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate.

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

**27.** Senior management and members receive regular and accurate financial information on Independent Living Fund Scotland's performance against budgets. These reports allow officers and members to scrutinise financial performance effectively throughout the year.

### **Independent Living Fund Scotland operated within its revised fiscal resources, reporting an underspend of £0.5 million**

**28.** The main financial objective for Independent Living Fund Scotland is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

**29.** Independent Living Fund Scotland reported an outturn of £57.1 million against its revised fiscal resource of £57.6 million resulting in a £0.5 million underspend. The financial performance against fiscal resources is shown in [Exhibit 4](#).

## Exhibit 4

### Performance against fiscal resource in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	60.5	57.5	57.3	(0.2)
Capital	-	-	(0.3)	(0.3)
Annually Managed Expenditure	0.1	0.1	0.1	0.0
Total	60.6	57.6	57.1	(0.5)

Source: Independent Living Fund Scotland Annual Report & Accounts 2023/24

**30.** The underspends noted above were in the main due to:

- Resource - impact of unspent monies returned to Independent Living Fund Scotland by recipients following a change in circumstances or formal review by Assessor.
- Capital – adjustments due to redetermination of finance lease period.

### Budget processes were appropriate

**31.** Independent Living Fund Scotland's budget was adjusted as part of the Scottish Government's in-year budget revision process. Details on budget revisions were reported to the Board throughout the year. The most significant revisions over the course of the year for Independent Living Fund Scotland included:

- a £3.0 million reduction in Grant-In-Aid due to higher-than-expected returns of unspent monies from recipients
- a virement of £0.9 million from the 2015 Fund budget to the Transition Fund budget due to increased demand.
- additional expenditure of £0.5 million relating to the Transition Fund to be funded from reserves.

### There is scope for enhancing some financial systems of internal controls

**32.** From our review of the design and implementation of key controls within Independent Living Fund Scotland's systems of internal control (including those

relating to IT) relevant to our audit approach, we identified some internal control weaknesses within key financial systems and processes. These issues have been reported in our interim management letter, presented to Audit and Risk Committee in February 2024. A summary of these recommendations and their current status is set out in [Appendix 1](#).

**33.** Our financial statements audit identified an additional internal control weakness within the key financial systems and processes in relation to:

- Staff Costs - The overtime rate used for an employee who is also in receipt of a supplementary allowance was incorrect. The controls in place to validate that the correct hourly rate failed to identify the error on this occasion. We consider the error to be an isolated incident and there is no impact on the financial statements as the error is below our reporting threshold.

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## Recommendation 1

Management should review the controls around their key financial systems in order to prevent and detect instances of fraud, error and irregularity.

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

**34.** Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

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

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## 3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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### Conclusion

A balanced budget has been set for 2024/25.

Independent Living Fund Scotland has developed a five-year medium-term financial plan covering the period 2023/24 to 2027/28 and is planning effectively so it can continue to deliver services in the medium to long-term.

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### A balanced budget has been set for 2024/25

**36.** Independent Living Fund Scotland agreed its draft budget for 2024/25 at its Board meeting in January 2024. This was subject to the confirmation and associated Grant-In-Aid allocation for 2024/25 by Scottish Ministers. In March 2024, Scottish Ministers provided confirmation that the total budget and associated Grant-in-Aid for 2024/25 was £62.4 million.

**37.** A revised balanced budget was prepared based on total grant payments of £57.5 million and administration costs of £4.8 million and non-cash costs of £0.1 million to be met from Grant-In-Aid funding of £62.4 million. This revised budget was considered and approved by the Board at its meeting in April 2024.

### Independent Living Fund Scotland has developed a five-year medium-term financial plan covering the period 2023/24 to 2027/28 and is planning effectively so it can continue to deliver services in the medium to long-term

**38.** Independent Living Fund Scotland's revised medium-term financial plan was approved by the Board in January 2024. The medium-term financial plan includes both best and worst-case scenarios based on no change to available income and recipient contributions being reduced to either £23 per week or £nil.

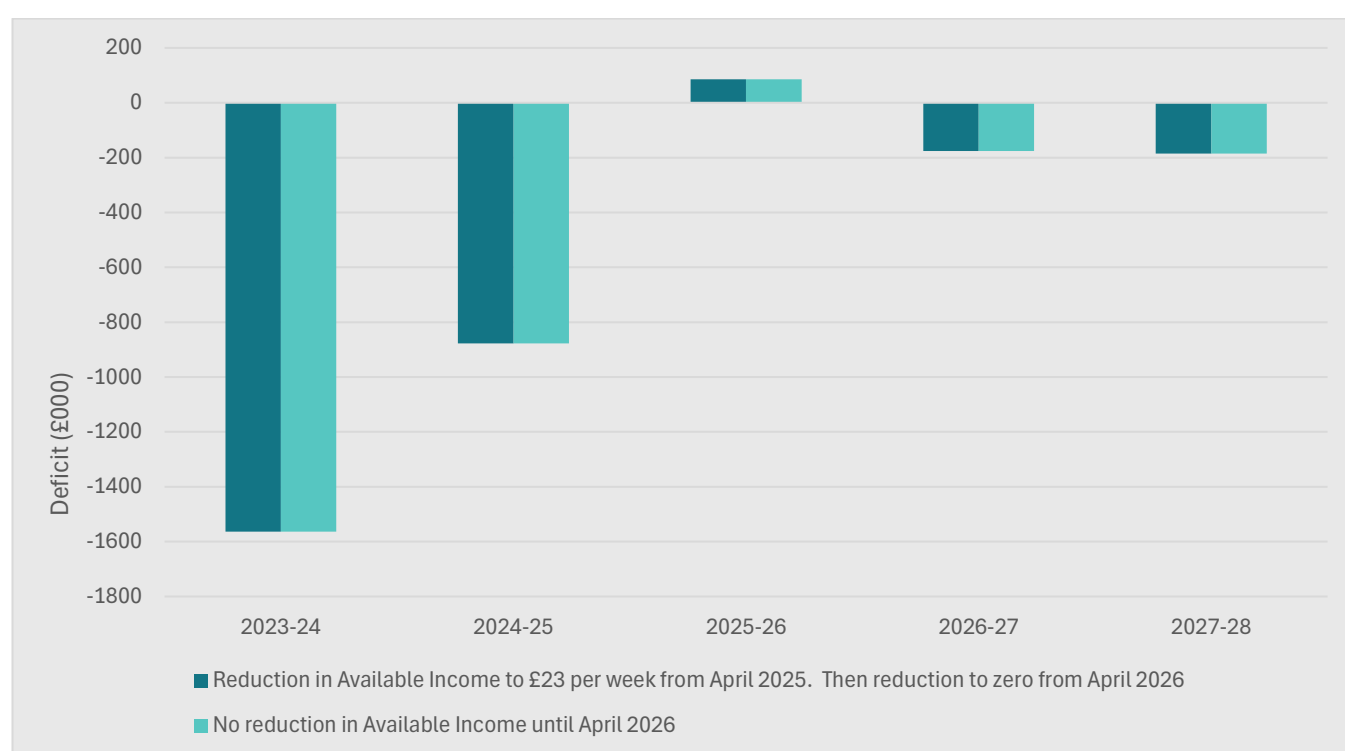
**39.** Scottish Ministers approved a reduction in the maximum available income contributions for recipients, from £83 to £43, with effect from 1 June 2021. The Scottish Government's public commitment to reduce these charges over time in line with wider social care policy developments, and in particular the extension of free personal care led to the understanding that there will be further reductions.

**40.** Independent Living Fund Scotland estimate that a reduction to £23 per week with effect from 1 April 2025 will cost approximately £1.7 million and a further reduction to £nil with effect from 1 April 2026 will cost a further £1.7 million.

**41.** Without additional Grant-In-Aid, projections of these scenarios are summarised in [Exhibit 5](#), highlighting that Independent Living Fund Scotland will be in a deficit position should recipient contributions be reduced to £23 per week or £nil.

## Exhibit 5

### Medium-term financial plan forecast 2023/24 to 2027/28



Source: Independent Living Fund Scotland Medium-Term Financial Plan 2023/24 to 2027/28

**42.** Independent Living Fund Scotland is operating in a challenging financial environment that will impact on resources over the medium and longer-term. There are a number of elements within the Independent Living Fund Scotland budget which represent significant cost pressures and will require to be carefully managed.

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



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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

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

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

Executive and non-executive directors demonstrate effective leadership, challenge and scrutiny of the organisation's activity and performance.

Independent Living Fund Scotland does not have an IT Strategy in place which aligns with the strategic objectives of the Strategic Plan.

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

**44.** The Strategic Plan was prepared in March 2023. This plan covers the period from 2023 to 2025. All other business strategies sit under the Strategic Plan.

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

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

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

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

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

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

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

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

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

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

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

53. We have concluded that Independent Living Fund Scotland's executive and non-executive directors have demonstrated effective leadership and scrutiny of the board's activity and performance in 2023/24.

### **Independent Living Fund Scotland does not have an IT Strategy in place which aligns with the strategic objectives of the Strategic Plan**

54. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an

organisation. In 2023/24, we considered Independent Living Fund Scotland's IT and cyber security arrangements.

**55.** Independent Living Fund Scotland has developed a suite of policies in relation to IT including a Resilience Framework and Cyber Security Policy and achieved reaccreditation for Cyber Essentials PLUS in March 2024.

**56.** The Audit and Risk Committee receives regular updates on cyber security, the most recent delivered to the meeting in April 2024. In addition, cyber security has been identified in the corporate risk register which is reported to the Audit and Risk Committee and the Board.

**57.** During 2023/24, we confirmed that internal audit carried out a review Independent Living Fund Scotland's IT Network Arrangements and Cyber Security. No significant issues were identified from this review with two recommendations identified in relation to supplier chain security assessments and testing of restore of data from backups.

**58.** However, Independent Living Fund Scotland does not have an IT Strategy in place which aligns with the strategic objectives of the Strategic Plan and sets out the IT resources required to deliver corporate objectives.

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## **Recommendation 2**

Management should develop an overarching IT Strategy which aligns with the corporate objectives of the Strategic Plan and sets out the IT resources required to deliver the corporate objectives.

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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

Independent Living Fund Scotland has effective and appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

Independent Living Fund Scotland has developed an appropriate best value framework.

Independent Living Fund Scotland were able to achieve all of their performance targets during 2023/24, however should revise their current key performance indicators to ensure that they are measurable and can provide an assessment of performance against strategic objectives.

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## **Independent Living Fund Scotland has effective and appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services**

**59.** Independent Living Fund Scotland has adopted a process of continuous improvement which aims to transform access to its services and the provision of information required to complete the recipient award and review process. This programme covers all operational aspects of the services.

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

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

However, Independent Living Fund Scotland faces a number of challenges to service delivery in future years with re-opening of the 2015 Fund in 2024/25, increased demand for Transition Fund support and the development and implementation of a new IT system.

## **Independent Living Fund Scotland has developed an appropriate Best Value framework**

**62.** [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**63.** We consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. We may also, in conjunction with Independent Living Fund Scotland, agree to undertake local work in this area.

**64.** A recommendation was made in the 2022/23 Annual Audit Report that Independent Living Fund Scotland should develop an assurance framework, which mapped the key sources of assurances to the principles of Best Value outlined in the SPFM. The aim was to ensure that Independent Living Fund Scotland could demonstrate how the organisation complied with the principles of Best Value and to support continuous improvement.

**65.** A Best Value Assurance Map was prepared and presented to the Audit and Risk Committee in February 2024. This highlighted the key sources of assurance which demonstrated how the organisation was applying the principles of Best Value. Moving forward, this Best Value Assurance Map will form part of an integrated reporting mechanism which will incorporate existing organisational sustainability and improvement programmes, which are currently reported quarterly to the Audit and Risk Committee. This revised framework will form the baseline for exploring further opportunities in the strategic approach to improvements and sustainability within the organisation.

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

## **Independent Living Fund Scotland were able to achieve all of their performance targets during 2023/24, however should revise their current key performance indicators to enhance assessment against strategic objectives**

**67.** Independent Living Fund Scotland continued to monitor key performance indicators throughout the year with performance reported to the Board on a regular basis. Performance is assessed by three strategic priorities as outlined in paragraph 46 of this report and each one has several key objectives, which are monitored via key performance indicators.

**68.** Independent Living Fund Scotland have achieved all of their targets in 2023/24. However, the current range of key performance indicators adopted by Independent Living Fund Scotland do not have targets or lend themselves to trend analysis. Therefore, it is difficult to quantify progress against the strategic objectives included in the Strategic Plan.

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### **Recommendation 3**

Key performance indicators should be revised to ensure that they are measurable and can provide an assessment of performance against strategic objectives.

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# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Internal controls</b></p> <p>Our 2023/24 audit identified areas where there is scope for improvement to the operation of certain internal controls.</p> <p><i><b>Risk</b> – there is a risk that internal controls do not operate effectively resulting in increased opportunity for fraud, error and irregularity to occur.</i></p>	<p>Management should review the controls around their key financial systems in order to prevent and detect fraud, error and irregularity.</p> <p><a href="#">Paragraph 33</a></p>	<p><b>Accepted</b></p> <p>Three of these improvement areas have now been implemented per the follow-up of 2023/24 interim audit recommendations.</p> <p>The fourth improvement area in relation to overtime payments for staff costs is considered to be an isolated issue and was not material to the annual accounts. The control includes a number of manual checks which increases the likelihood of failure.</p> <p>HR/Finance intend to run an internal workshop to clarify overtime policies.</p> <p>Responsible officer: Human Resources and Finance</p> <p>Agreed date: HR/Payroll have actioned the policy clarification with immediate effect and the workshop will be run by 30 September 2024</p>
<p><b>2. IT Strategy</b></p> <p>Independent Living Fund Scotland does not have an IT Strategy in place which aligns</p>	<p>Management should develop an IT Strategy which aligns with the strategic objectives of the Strategic plan and sets out the IT resources required</p>	<p><b>Accepted</b></p> <p>The current in year priority is to reduce the risk exposure to the organisation by replacing the end of life ICI system.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>with the corporate objectives of the Strategic Plan.</p> <p><i><b>Risk:</b> there is a risk that the corporate objectives outlined in the Strategic Plan cannot be achieved due to insufficient IT resources.</i></p>	<p>to deliver the corporate objectives.</p> <p><a href="#">Paragraph 58</a></p>	<p>However, it is timely to refresh and develop a new IT strategy aligned with the emerging strategic priorities of the organisation post re-opening and this will be done by 30 September 2024.</p> <p>Responsible officer: Director of Digital</p> <p>Agreed date: 30 September 2024</p>
<p><b>3. Key performance indicators</b></p> <p>The current range of key performance indicators adopted by Independent Living Fund Scotland do not have targets or lend themselves to trend analysis. Therefore, it is difficult to quantify progress against the strategic objectives included in the Strategic Plan.</p> <p><i><b>Risk – Independent Living Fund Scotland is unable to assess performance against its strategic objectives.</b></i></p>	<p>Key performance indicators should be revised to ensure that they are measurable and can provide an assessment of performance against strategic objectives.</p> <p><a href="#">Paragraph 68</a></p>	<p><b>Accepted</b></p> <p>This financial year we will develop our next strategic plan, and this will run from April 2025 – 2028. Once more is known about the strategic priorities and actions to achieve them, a more detailed set of measures with KPIs can be developed to track progress. However, we believe that with only 9 months of the current plan left and with everything on track to complete, we propose to keep the reporting and success measures as they are but will see what, if anything, can be added as interim indicators.</p> <p>Responsible officer: Chief Operating Officer</p> <p>Agreed date: 1 April 2025</p>



## Follow-up of 2023/24 interim audit recommendations

Issue/risk	Recommendation and Management Action	Progress
<p><b>1. Corporate Credit Cards</b></p> <p>Independent Living Fund Scotland have a number of corporate credit cards in place which are provided to authorised officers. Our audit work established that the balance on these credit cards is cleared on a monthly basis via direct debit with officers required to submit receipts in support of the expenditure incurred.</p> <p>Our review of the month-end reconciliation for January 2024 identified an unreconciled balance of £18,544. This represented unreceipted expenditure incurred by officers over a period of several months.</p> <p>There is no mitigating control in place to prevent future unreceipted expenditure.</p> <p><i><b>Risk:</b> There is a risk that expenditure is not supported by receipts on a timely basis or incurred for business purposes.</i></p>	<p><b>Recommendation:</b></p> <p>All expenditure incurred on corporate credit cards should be supported by receipts provided to the finance department on a timely basis.</p> <p>Where officers do not provide receipts on a timely basis, the use of their corporate credit card should be revoked until this is actioned.</p> <p><b>Management Action:</b></p> <p>Management action has been taken with immediate effect:</p> <ul style="list-style-type: none"> <li>• Reconciliations have now been performed.</li> <li>• The card for one team member has been returned/ cancelled.</li> <li>• Anyone who does not complete a return within two months will have their card suspended.</li> <li>• The finance director will check returns on a monthly basis.</li> </ul>	<p>Implemented</p>
<p><b>2. User Access to General Ledger</b></p> <p>Our review of user access to the SAGE accounting system identified an account assigned to a contractor working within the IT Department.</p> <p>Through discussion with officers, it was established</p>	<p><b>Recommendation:</b></p> <p>Access to the main financial applications is revoked when no longer required and a regular review of access levels is performed.</p> <p><b>Management Action:</b></p> <p>As advised to Audit Scotland during the audit, our ICI</p>	<p>Implemented</p>

Issue/risk	Recommendation and Management Action	Progress
<p>that access was provided for a specific project, however this project has now concluded. The contractor's access had not been revoked following the conclusion of the project but has now been revoked following identification by the external audit team</p> <p><i><b>Risk:</b> There is a risk that unauthorised personnel have access to the main financial applications and unauthorised changes are made to the system.</i></p>	<p>specialist was granted read-only access to SAGE for a specific purpose. It was to develop a new export tool to enable Faster Payments.</p> <p>Steps have been taken to ensure that any such access is removed as soon as possible.</p>	
<p><b>3. Changes to Supplier Bank Details</b></p> <p>Our review of the controls in place for processing changes to supplier bank account details identified that officers only confirm changes through online banking system.</p> <p>This approach does not verify that the change has been requested by the existing supplier. Instead, it confirms that the bank details match the change requested. Officers should seek confirmation directly from the supplier using the existing contact details held on file.</p> <p><i><b>Risk:</b> There is a risk that fraudulent changes are made to supplier bank details.</i></p>	<p><b>Recommendation:</b></p> <p>Officers should seek direct confirmation from the supplier using the existing contact details held on file.</p> <p>In addition, confirmation of the change processed through the system should be subject to review by a second officer who is independent of the officer processing the change for segregation of duties.</p> <p><b>Management Action:</b></p> <p>We do phone the supplier albeit there was perhaps no evidence of this on the control sheet.</p> <p>We will also email the supplier in future so that we have an audit trail.</p> <p>These steps will be implemented with immediate effect.</p>	<p>Implemented</p>

# Appendix 2. Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f.1. Non-compliance with the Government Financial Reporting Manual (FReM)</b></p> <p>Instances of non-compliance with the FReM were identified across sections of the annual report including the Performance Report, Governance Statement and Remuneration and Staff Report.</p> <p><i>Risk – the annual report and accounts do not comply with the Financial Reporting Framework.</i></p>	<p><b>Recommendation:</b></p> <p>Management should complete the disclosure checklists prepared by the NAO and review Audit Scotland’s good practice note on improving the quality of central government annual report and accounts when preparing their 2023/24 annual report and accounts.</p> <p><b>Management Action:</b></p> <p>Agreed by management. Finance Director 31 March 2024</p>	<p>Implemented</p>
<p><b>b/f. 2. Lease Agreement for Denholm House</b></p> <p>Following implementation of IFRS 16, Independent Living Fund Scotland has recognised a “Right of Use Asset” with a net book value of £521k on the Statement of Financial Position. This related to a new 10-year lease agreement for Denholm House.</p> <p>The lease agreement was entered into by Scottish Government on behalf of Independent Living Fund Scotland in February 2022.</p>	<p><b>Recommendation:</b></p> <p>Management should seek confirmation of the signed lease as a matter of urgency from the primary lease holder.</p> <p><b>Management Action:</b></p> <p>Management has been trying to get this information for 15 months. Management will continue to pursue this from SG.</p> <p>Finance Director 30 September 2023</p>	<p>Implemented</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>However, the lease agreement is still in draft and has yet to be finalised and signed by all relevant parties.</p> <p>There is no signed lease agreement for the current lease arrangement for Denholm House.</p> <p><i><b>Risk</b> – there is no substantive evidence of ownership rights to the “Right of Use” asset or corresponding finance lease liability obligations as disclosed in the Statement of Financial Position.</i></p>		
<p><b>b/f. 3. Counter-fraud policy</b></p> <p>There is no formal counter-fraud policy in place which allows management to establish expected behaviours and standards of staff in respect of fraud.</p> <p><i><b>Risk</b> – staff are unaware of the arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption leading to an increased risk of fraudulent activity occurring.</i></p>	<p><b>Recommendation:</b></p> <p>To strengthen its internal control environment, Independent Living Fund Scotland should develop a formal counter-fraud policy which staff are required to adhere to.</p> <p><b>Management Action:</b></p> <p>Agreed by management. Chief Operating Officer 30 September 2023</p>	<p>Implemented</p>
<p><b>b/f. 4. Internal controls</b></p> <p>We noted some areas where there is scope for improvement to the operation of certain internal controls.</p> <p><i><b>Risk</b> – there is a risk that internal controls do not operate effectively resulting in increased opportunity for fraud, error and irregularity to occur.</i></p>	<p><b>Recommendation:</b></p> <p>Management should review the controls around their key financial systems in order to ensure minimal opportunity for fraud, error and irregularity.</p> <p><b>Management Action:</b></p> <p>Agreed by management. Head of Finance 30 September 2023</p>	<p>Implemented</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f. 5. Budget forecasts contains factors which are subject to change</b></p> <p>Budget forecasts are based on a set of parameters which determine a best case and worst-case scenario. Some of these factors are highly volatile and subject to change.</p> <p><i>Risk – budget forecasts may predict significantly inaccurate results.</i></p>	<p><b>Recommendation:</b></p> <p>Key assumptions and judgements used in budget forecasting should be subject to regular review to maintain financial sustainability given the current economic uncertainty.</p> <p><b>Management Action:</b></p> <p>Forecast assumptions are examined every month.</p> <p>Finance Director</p> <p>30 June 2023</p>	<p>Implemented</p>
<p><b>b/f. 6. Cyber security arrangements could be enhanced</b></p> <p>Back up files for key application systems are not subject to regular testing.</p> <p>The latest statement of assurance provided by IRIS FMP is dated December 2021.</p> <p><i>Risk – In the event of a cyber-attack and without regular and up to date assurances, there is a risk that data within key application systems cannot be regenerated without loss.</i></p>	<p><b>Recommendation:</b></p> <p>Management should perform regular testing of data backup files to ensure that they can be regenerated without loss and that an up-to-date statement of assurance is obtained from IRIS FMP.</p> <p><b>Management Action:</b></p> <p>Agreed, back-ups are taken twice daily, and we have successfully completed a full restore previously. However, we will develop a planned cycle of full restore from backup.</p> <p>Director of Digital and Information Services</p> <p>31 July 2023</p>	<p>Partially implemented</p> <p>Management update: An updated assurance statement for IRIS FMP has been provided to audit.</p> <p>We have formal backup and restore plans in place which are tested quarterly. These arrangements cover all key systems with the exception of SAGE.</p> <p>Whilst we have restored from backup for SAGE in the past, we do not carry out regular testing of this function.</p> <p>We will draw up an appropriate action plan.</p> <p>Responsible officer: Head of Finance/IT</p> <p>Revised date: 30 September 2024</p>
<p><b>b/f 7. Best Value framework</b></p> <p>Independent Living Fund Scotland does not have a formally agreed document that details the arrangements</p>	<p><b>Recommendation:</b></p> <p>Independent Living Fund Scotland should produce an annual formally agreed document which details how it meets the best value</p>	<p>Implemented</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>in place to support the best value characteristics.</p> <p><i><b>Risk</b> – Independent Living Fund Scotland is unable to demonstrate compliance with the duty of best value per the characteristics set out in the SPFM.</i></p>	<p>characteristics as set out in the SPFM.</p> <p><b>Management Action:</b>            Agreed by management.            Chief Executive            30 September 2023</p>	

# Independent Living Fund Scotland

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)