
To: Renfrewshire Integration Joint Board Audit, Risk and Scrutiny Committee

On: 24 March 2023

Report by: Chief Finance Officer

Heading: External Auditor's Annual Audit Plan 2022/23

1. Summary

1.1 As members will be aware, Ernst & Young have been appointed by The Accounts Commission for Scotland as the external auditor of Renfrewshire Integration Joint Board (IJB) for a five-year period until 2026/27.

1.2 This report brings forward their initial Annual Audit Plan (2022/23), as attached in Appendix 1, for members' information. The Plan sets out their proposed audit approach of the financial records for the year ended 31 March 2023.

2. Recommendation

The IJB Audit, Risk and Scrutiny Committee is asked to:

- Note that Ernst & Young have been appointed as the external auditor of Renfrewshire IJB; and
- Note the Annual Audit Plan, attached at Appendix 1.

3. Background

3.1 The responsibilities as independent auditors are established by The Public Bodies (Joint Working) (Scotland) Act 2014, The Local Government (Scotland) Act 1973 and the Code of Audit Practice, and, guided by the auditing profession's ethical guidance.

3.2 Under the Local Government (Scotland) Act 1973, the Accounts Commission is responsible for appointing the external auditors of local government bodies including councils, joint boards and bodies falling within section 106 of the Act.

3.3 The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the 1973 Act. In 2016 the Accounts Commission appointed Audit Scotland as the external auditor for Renfrewshire IJB for the five year period from 2016 to 2021.

4. Audit Fee

4.1 The proposed audit fee for the 2022/23 audit is £31,470 (2021/22: £27,960). This fee is consistent with the fees for all IJBs and is determined in line with Audit Scotland's fee setting arrangements.

4.2 Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

4.3 The audit fee assumes receipt of the unaudited financial statements by 30 June 2023 and covers the cost of planning, delivery, reporting and the auditor's attendance at committees.

Implications of the Report

1. **Financial** – none.
2. **HR & Organisational Development** – none
3. **Community Planning** – none
4. **Legal** – An audit opinion free from qualification demonstrates the IJB's compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
5. **Property/Assets** – none
6. **Information Technology** – none
7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the IJB's website.
8. **Health & Safety** – none
9. **Procurement** – none
10. **Risk** – none
11. **Privacy Impact** – none.

List of Background Papers – None

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Renfrewshire Integration Joint Board

Annual Audit Plan
Year ended 31 March 2023

**Provisional Plan for Audit, Risk
and Scrutiny Committee**

This report

This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor Renfrewshire Integration Joint Board for financial years 2022/23 to 2026/27.

This report is for the benefit of the Board and is made available to the Audit Scotland and the Accounts Commission (together the Recipients).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Accessibility

Our Annual Audit Plan will be available on Audit Scotland's website and we have therefore sought to comply with the Public Sector Bodies Accessibility Regulations 2018.

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Appendices	<p>Undertake statutory duties, and comply with professional engagement and ethical standards:</p> <p>Appendix A: Code of Audit Practice: responsibilities</p> <p>Appendix B: Auditor Independence</p> <p>Appendix C: Required communications with the Audit, Risk and Scrutiny Committee</p> <p>Appendix D: Timing of communications and deliverables</p> <p>Appendix E: Audit fees</p> <p>Appendix F: Additional audit information</p>	19

1. Executive summary

Purpose of our plan

The Accounts Commission for Scotland appointed EY as the external auditor of Renfrewshire Integration Joint Board ("IJB" or "the Board") for the five year period to 2026/27.

This Annual Audit Plan, prepared for the benefit of management and the Audit, Risk and Scrutiny Committee, sets out our proposed audit approach for the audit of the financial for the year ended 31 March 2023. In preparing this plan, we have developed our understanding of the organisation through:

- ▶ Introductory planning discussions with management,
- ▶ Handover discussions with your predecessor auditors, Audit Scotland;
- ▶ Review of predecessor auditor working papers;
- ▶ Review of key documentation and committee reports; and
- ▶ Our understanding of the environment in which the Board is currently operating.

We will also hold an introductory meeting with the Chair of the Audit, Risk and Scrutiny Committee during March 2023.

Our audit quality ambition is to consistently deliver high-quality audits that serve the public interest. A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, including observations around where the Board

employs best practice and where processes can be improved. We use data insights to form our audit recommendations to support the IJB in improving its practices around financial management and control, and in aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

After consideration by the Board's Audit, Risk and Scrutiny Committee, the finalised plan will be provided to Audit Scotland and published on its website.

Scope and Responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the IJB and the auditor, more details of which are provided in Appendix A.

Independence

We confirm that we have undertaken client and engagement acceptance procedures, including our assessment of our independence to act as your external auditor. Further information is available in Appendix B.

Our key contacts:

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Grace Scanlin, Senior Manager
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Financial Statements audit

We are responsible for conducting an audit of the Board's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view, in accordance with applicable law and the 2022/23 Code of Accounting Practice, of the income and expenditure of the IJB for the year ended 31 March 2023 and;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2022/23 Code; and
- ▶ whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We are required to plan our audit to determine with reasonable confidence 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. Our key considerations and materiality values are set out in Exhibit 1, below.

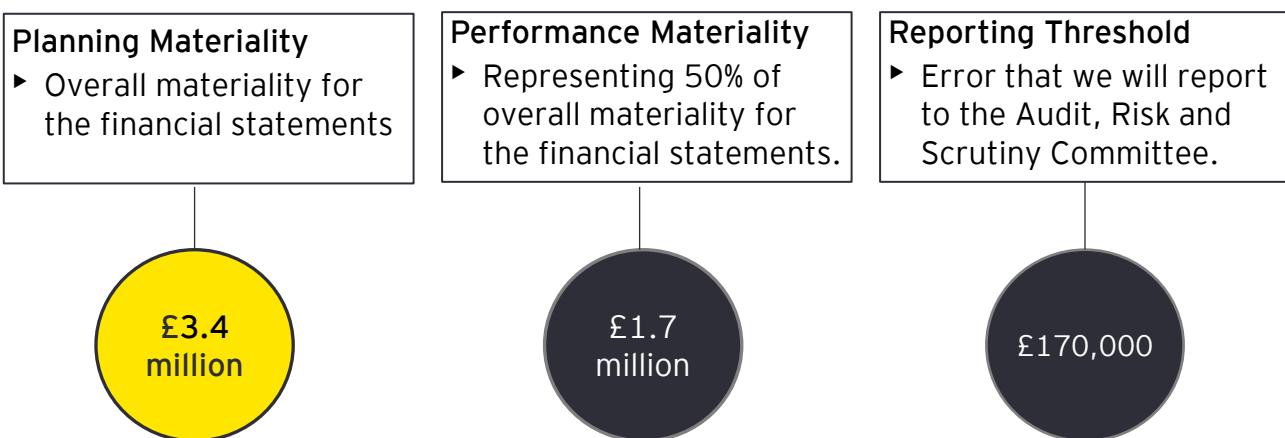
Wider Scope and Best Value

As public sector auditors, our responsibilities extend beyond the audit of the financial statements. The Code of Audit Practice requires auditors to consider the arrangements put in place by the Board to meet their Best Value obligations as part of our proportionate and risk-based wider-scope audit work. Wider scope audit requires consideration of:

- ▶ The Board's arrangements to secure sound financial management;
- ▶ The regard shown to financial sustainability;
- ▶ clarity of plans to implement the vision, strategy and priorities of the Board, and the effectiveness of governance arrangements for delivery; and
- ▶ The use of resources to improve outcomes.

Annual Best Value audit work will be integrated with our wider scope annual audit work and we will report on how the IJB demonstrates that it has Best Value arrangements in place.

Exhibit 1: Materiality Assessment in 2022/23



We apply a lower materiality level of £1,000 to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

Exhibit 2: Summary of significant risks identified for the audit in 2022/23

One significant risk has been identified which impacts the audit of the financial statements, in Section 3:

Risk of fraud in expenditure, including through management override	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>As a result of the nature of funding to the IJB from the Council or NHS, we have rebutted the assumed fraud risk in respect of income.</p>
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Exhibit 3: Summary of areas of audit focus in relation to the wider scope dimensions

One significant risk impacting the Financial Sustainability wider scope audit dimension has been identified in Section 4:

Financial Sustainability: Development of sustainable and achievable medium term financial plans	<p>The Board's Medium Term Financial Plan highlights a significant financial challenge. Under the scenarios outlined, the Plan highlights a potential budget gap prior to mitigating measures of £37 to £48 million over the three year period. However, key uncertainties about future cost pressures remain, including escalating prescribing costs, pay negotiation outcomes and the National Care Home contract costs.</p>
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2. Sector developments

Introduction

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Board operates to inform our audit approach.

NHS Recovery Plan

Scotland's public services are facing unprecedented challenges. The Auditor General for Scotland publishes an annual report on the performance of the NHS in Scotland. The 2022 report was published in March 2023. The key messages are:

1. Growing financial pressures present a real risk to the investment needed to recover and reform NHS services

The NHS in Scotland faces significant and growing financial pressures, including inflation; recurring pay pressures; ongoing Covid-19 related costs; rising energy costs; a growing capital maintenance backlog; and the need to fund the proposed National Care Service. This could limit investment in recovery and reform.

2. It is difficult to accurately measure the progress of the Scottish Government's NHS Recovery Plan

Financial pressures, workforce shortages, pressures on the social care system and the ongoing impact of Covid-19 are making progress extremely difficult. The Recovery Plan commits £1.26 billion of funding to help reduce the healthcare backlog and redesign services, and sits alongside a range

of other initiatives that support reform. However, Audit Scotland note that it is a high-level, top-down document and does not contain the detailed actions that would allow overall progress to be accurately measured.

Meanwhile, the backlog of care that built up during the pandemic continues to grow. Overall, across Scotland, more people are being added to waiting lists than are being removed from them, and people are waiting longer for treatment.

3. Workforce capacity remains the biggest risk to the recovery of NHS services

Some progress has been made against the recruitment targets set out in the Recovery Plan, but the NHS workforce remains under severe pressure and there are concerns over staffing levels, wellbeing and retention. There is a risk workforce targets will not be achieved. The NHS continues to experience high vacancy and turnover rates, higher than usual sickness absence and gaps in the workforce.

4. The Scottish Government needs to be fully transparent on recovery progress and how long people will have to wait for treatment

The challenges facing the NHS in Scotland are unprecedented. The Scottish Government will have to make difficult choices and prioritise which ambitions it can deliver against. It needs to be more transparent about what progress is or is not being achieved.

National Care Service Bill

In September 2022, the Scottish Government published the National Care Service Bill. Proposals within the Bill would make Scottish Ministers accountable for adult social care in Scotland. The National Care Service will define the strategic direction and quality standards for community health and social care across Scotland.

Decisions on delivery models have yet to be taken but current IJB arrangements are expected to be replaced by local delivery boards, "Care Boards" which will work with the NHS, local authorities, and the third and independent sectors to plan, commission and deliver support and services for communities. Social care services currently provided in-house by local authorities, may continue under a commissioning arrangement with the care board. However, the care board may take over direct delivery, with staff transferring employment from councils to the care board.

The Bill explains that the detail of how the new service will work will be co-designed with people who have direct experience of social care services.

The timeline for the creation of a National Care Service by the end of the current Parliament.

Audit Scotland published a briefing paper on Social Care on 27 January 2022 which noted that:

- ▶ There are huge challenges facing the sustainability of social care, with the pressures of increasing demand and demographic change growing.
- ▶ The workforce is under immense pressure.
- ▶ There are around 700,000 unpaid carers

who provide most of the social care support in Scotland, with most not knowing their rights under the Carers (Scotland) Act 2016.

- ▶ Commissioning tends to focus on cost rather than quality or outcomes.
- ▶ Capacity and cultural differences are impacting leadership.

Councils across Scotland faced significant financial challenges during 2021/22 and are now entering the most difficult budget setting context seen for many years. Increasingly difficult choices about spending priorities will need to be made.

Scottish Government Spending Review

The Scottish Government's May 2022 Resource Spending Review (RSR) represented the first multi-year Resource Spending Review (RSR) in Scotland since 2011 and outlined the government's resource spending plans to the end of the current term of Parliament in 2026/27.

The RSR assumes an overall cash-terms increase to the Scottish Government spending envelope of £5.7 billion over the period 2022/23 to 2026/27. The economic and financial context, including inflationary factors, means that there is an unprecedented financial challenge ahead.

In December 2022, the Scottish Government published the 2023/24 Scottish Budget. The budget included announcements that the Scottish government will:

- ▶ Provide over £570 million in additional revenue and capital funding available to councils for 2023/24
- ▶ invest over £13 billion in health boards to allow them to continue to drive forward the five-year Recovery Plan;

Continue to reform key services, and will allocate £2 billion to establish and improve primary health care services in the community;

Provide £1.7 billion for social care and integration to improve services and introduce the National Care Service; and

An additional £100m will be made available for health and social care, including support for the delivery of the £10.90 real living wage for adult social care, building on the increase provided in 2022-23.

Overall, as a result of decisions to increase income tax levels, the Scottish Government suggested that the amount spent on health and social care in Scotland will increase by over £1 billion in one year.

Local Government Finances 2021/22

In January 2023, the Accounts Commission published its annual report on Local Government finances in Scotland. The report notes that even with additional Covid-19 funding during 2021-22, councils had to make significant savings last year to balance their budgets.

An increasing amount of council funding is either formally ringfenced or provided on the expectation it will be spent on specific

services and national policy objectives.

Audit Scotland calculated ringfenced money to represent 23% of total revenue funding in 2021/22. A large amount of this was to support elements of education and social care service provision. While this supports the delivery of key Scottish Government policies, it removes local discretion and flexibility over how these funds can be used by councils.

Looking ahead, the Accounts Commission note that Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.

Impact on IJBs

A briefing on Audit Scotland's financial analysis for Integration Joint Boards is expected to be published in April 2023. We anticipate that this will outline the respective financial and workforce challenge impacting the health and social care sector.

3. Financial statements: Our approach and assessment of significant risks

Introduction

The publication of the annual financial statements allow the Board to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

Our responsibilities

We are responsible for conducting an audit of the Board's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view in accordance with applicable law and the 2022/23 Code of the state of affairs of the IJB as at 31 March 2023 and of its income and expenditure for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2022/23 Code; and
- ▶ whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information

prepared and published by the IJB along with its financial statements.

Other Statutory Information

The management commentary and narrative reporting within the financial statements continues to be an area of increased scrutiny as a result of rising stakeholder expectations, including continuing interest by the Financial Reporting Council.

We will work with the Chief Finance Officer to share our views on the 2021/22 financial statements, prior to the drafting of the 2022/23 financial statements.

ISA (UK) 315

Our objective is to form an opinion on the financial statements under International Standards on Auditing (ISA) (UK). There have been significant changes to ISA (UK) 315 and some changes to ISA (UK) 240 that will impact our 2022/23 audit approach and the procedures we need to perform.

The changes are effective from 2022/23 onwards and drives our approach to:

- ▶ Risk assessment
- ▶ Understanding the Board's internal control arrangements,
- ▶ Identification of significant risk; and
- ▶ How we address significant risk.

The revision to the standard aims to clarify the obligations of auditors to identify and assess the risk of material misstatement due to fraud, as well as including supplemental requirements and guidance to enhance the auditors' procedures. Auditor objectives have been revised to emphasise the requirement to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud.

As a result of the changes we will make enhanced inquiries of management, or others within the Board who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.

We will report on the impact of ISA (UK) 315 within our annual audit report.

Audit Approach

For 2022/23 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement.

Our audit involves:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate

to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements.
- ▶ Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.
- ▶ Ensuring that reporting to the Audit, Risk and Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- ▶ We rigorously maintain auditor independence (refer to Appendix B).

Materiality

For planning purposes, materiality for 2022/23 has been set at £3.4 million (2021/22: £4.2 million). This represents 1% of the Board's gross expenditure. Our materiality level is influenced by the nature of a initial audit but does not impact the level of testing we will perform.

Materiality will be reassessed throughout the audit process and will be communicated to the Audit, Risk and Scrutiny Committee within our annual audit report.

Our assessment concluded that gross operating expenditure is the most appropriate basis for determining planning materiality for the Board.

We consider misstatements greater than 1% of the gross expenditure to be material. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. We have provided supplemental information about audit materiality in Appendix F.

Specific Materiality

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- **Remuneration report** - given the sensitivity around the disclosure of senior staff remuneration we apply a lower materiality threshold of £1,000 to our audit consideration around the remuneration report and related disclosures.
- **Related party transactions** - which are considered material when they are material to either party in the transaction. We do not apply a specific materiality but consider each transaction individually.

Exhibit 3: Materiality Assessment in 2022/23

Element	Explanation	Value
Planning materiality	The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. This represents 1% of the Board's Gross Expenditure	£3.4 million
Performance materiality	Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds Planning Materiality to an acceptably low level. We have set it at 50% of planning materiality. This level reflects our risk assessment for an initial audit.	£1.7 million
Reporting Level	The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.	£170,000

Our response to significant risks

Introduction

Auditing standards require us to make communications to those charged with governance throughout the audit. At the Board, we have agreed that these communications will be to the Audit & Risk Committee. The financial statements and our Annual Audit Report will also be reported to the Board.

Key audit matters

ISA (UK) 701 is effective for periods commencing on or after 17 June 2016. Under appointment by the Auditor General we are required to communicate key audit matters in our Annual Audit Report. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit.

When determining key audit matters we consider:

- ▶ areas of higher or significant risk;
- ▶ areas involving significant judgment, including accounting estimates with high estimation uncertainty; and
- ▶ significant events or transactions that occurred during the period.

At this stage of the audit we do not know what key audit matters we will include in our

Annual Audit Report. However, we have included within this section the most significant assessed risks of material misstatement (whether or not due to fraud), including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. We will confirm the key audit matters to you in our Annual Audit Report.

We are required to plan our audit to determine with reasonable confidence 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

We set out in the following sections the significant risks (including fraud risks denoted by *) that we have identified for the audit, along with the rationale and expected audit approach.

The risks identified may change to reflect any significant findings or subsequent issues we identify during the audit. We will provide an update to the Audit, Risk and Scrutiny Committee if our assessment changes significantly during the audit process.

1. Risk of fraud in revenue and expenditure recognition*

Financial Statement Impact

Misstatements that occur in relation to the risk of fraud and expenditure recognition could affect the expenditure accounts. The relevant 2021/22 account balance in the audited financial statements was:

- ▶ Total cost of services: £327 million.

What is the risk?

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

As a result of the nature of funding to the IJB from its Council and NHS partners, we have rebutted the assumed fraud risk in respect of income. This is because the IJB receives the majority of its income by way of funding allocations which are publicly available, not subject to conditions and therefore there is limited scope for manipulation.

For expenditure we associate the recognition risk to the completeness and occurrence of expenditure incurred by the IJB in commissioning services, and any associated creditor balances held by the IJB at yearend, in particular through management override of controls.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Inquire of management about risks of fraud and the controls to address those risks;
- ▶ Consider the effectiveness of controls designed to address the risk of fraud;
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud;
- ▶ Challenge management around how the IJB gains assurance over the expenditure incurred by its partner bodies, so that it can account for the recognition of expenditure to those bodies.

In addition, we will perform mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Substantively test income and expenditure transactions as appropriate and material, in particular in respect of any reserve funding held by the IJB;
- ▶ We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Review the accounting for the return of Covid reserves, along with any yearend adjustment;

- ▶ Assess accounting estimates for evidence of management bias; and
- ▶ Evaluate the business rationale for significant unusual transactions.

Having evaluated this risk we will consider whether we need to perform any other specific audit procedures not referred to above.

We will also obtain supporting documentation through independent confirmations of the expenditure incurred by the IJB's partners and their auditors, in line with the protocols set out by Audit Scotland for 2022/23 audits.

Going concern

Audit requirements

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of the ongoing impact of Covid-19, the cost of living crisis and inflationary pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Board and its financial sustainability.

Our work on going concern requires us to:

- ▶ challenge management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtain and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Board obtained throughout our audit;
- ▶ conduct a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The Scottish Government introduced a National Care Service (Scotland) Bill to Parliament on 20 June 2022. Under these plans, the functions of the IJB would transfer to become the responsibility of a National Care Service by 2026. Due to the anticipated continuation of service provision, the going concern basis of accounting will continue to be appropriate for the Board.

4. Best Value and Wider Scope Audit

Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Vision, Leadership and Governance; and
- ▶ The use of resources to improve outcomes.

The Code of Audit Practice requires that, in addition to financial statement significant risks, auditors are required to identify significant risks within the wider scope dimensions as part of our planning risk assessment. We consider these risks, identified as “areas of wider scope audit focus”, to be areas where we expect to direct most of our audit effort, based on:

- ▶ our risk assessment at the planning stage; and
- ▶ the identification of any national areas of risk within Audit Scotland’s annual planning guidance.

Any changes in this assessment will be communicated to the Audit, Risk and Scrutiny Committee.

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

Best Value

Under the Code of Audit Practice, annual Best Value audit work in IJBs is integrated with wider scope annual audit work. We will report on how the IJB demonstrates and reports that it has Best Value arrangements in place to secure continuous improvement.

The changes to IJBs anticipated from the Scottish Parliament’s National Care Service plans mean that the Accounts Commission will no longer require the Controller of Audit to report to the Commission on each IJB’s performance on its Best Value duty.

As a result, the findings from our wider scope work will provide assurance on key aspects of the Best Value themes.

Financial Management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

The 2021/22 Annual Audit Report did not identify any significant internal control weaknesses which could affect the Board's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

The IJB is reliant on the systems of its partner bodies, NHS Greater Glasgow and Clyde, and Renfrewshire Council, for its key financial systems, including ledger and payroll. All IJB transactions are processed through the respective partners' systems and all controls over those systems are within the partner bodies rather than the IJB. As a result, we will consider the monitoring and reporting arrangements from partner bodies.

Our response

Management's most recent financial monitoring report (presented to the January 2023 Board meeting), notes that the IJB is projected to deliver a net underspend of £0.9 million in 2022/23. The main factor in the anticipated underspend is the national difficulty associated with recruiting to service areas.

The report notes that, as with other IJBs, there remains a risk of significant fluctuation, particularly in areas subject to inflationary factors such as prescribing costs.

Our assessment of the Board's financial management arrangements, will focus on:

- ▶ The assessment of arrangements to ensure systems of internal control are operating effectively;
- ▶ Review of financial monitoring, including clarity about any changes to budgets and projections during the year; and
- ▶ Monitoring the achievement of savings against plans.

Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

The pandemic has continued to have a significant impact on the Board's financial planning. Financial planning has been further complicated by increased demand on services, the cost of living crisis and inflationary pressures. The 2021/22 Annual Audit Report noted that the creation of a robust medium term financial plan is a complex and challenging process, particularly in such an uncertain environment.

The Board received a Medium Term Financial Plan, covering the period to 2024/25, in March 2022. The plan outlined a range of scenarios, and highlighted a potential budget gap within a range of £37 - £48 million for the period of the Plan, prior to any mitigating actions. Work is underway to identify savings opportunities and will be considered by the Board for approval in March 2023.

The Board's unearmarked reserves are projected to remain at around £5.7 million at 31 March 2023, in line with the 2% Reserves Strategy.

Our response

We have identified a wider scope significant risk in Exhibit 4 in respect of financial sustainability. Our assessment of the Board's financial sustainability arrangements, will focus on:

- ▶ the Board's reserves position, with a focus on the arrangements to return unspent Covid reserves, and the level of unearmarked reserves; and
- ▶ assessing the link between the financial and other strategic and operational plans including the workforce strategy.

Exhibit 4: Financial Sustainability Area of Audit Focus

Development of sustainable and achievable medium term financial plans

The Board's Medium Term Financial Plan highlights a significant financial challenge. Under the scenarios outlined, the Plan highlights a potential budget gap prior to mitigating measures of £37 to £48 million over the three year period. However, key uncertainties about future cost pressures remain, including escalating prescribing costs, pay negotiation outcomes and the National Care Home contract costs.

Vision, Leadership and Governance

Vision, leadership and governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

In March 2022, the IJB approved its updated Strategic Plan for the period 2022-25. During 2022, further work was undertaken to develop and implement a strategic delivery plan for 2022/23.

The Strategic Plan is supported by the Medium Term Financial Plan. In November 2022, the IJB also approved the Workforce Strategy, following review by the Scottish Government.

The IJB conducts an annual review of the effectiveness of the system of internal control and the quality of data used throughout the organisation. The governance review is supported by processes within the IJB's respective partners, Renfrewshire Council and NHS Greater Glasgow and Clyde.

The 2021/22 review identified no significant matters impacting the IJB and we note that this was supported by the previous external auditor's commentary on governance and transparency. We do, however, note that work remains underway to review the Integration Scheme which governs the relationship between the Board and its partners under the requirements of the Act.

Our response

Our work in 2022/23 will focus on:

- ▶ Consideration of the disclosures within the Governance Statement;
- ▶ As part of our review of partnership arrangements, we will consider the progress to update and agree a revised Integration Scheme;
- ▶ Review of the coverage of internal audit arrangements during 2022/23, including any significant findings identified and the work done to address issues identified; and
- ▶ Consideration of the quality of reporting and information provided to key decision makers, and evidence of effective challenge and scrutiny.

Use of Resources

Audited 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. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Audited 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. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

The Board has adopted a performance scorecard with 51 indicators, of which 40 have targets set against them. The mid year report notes that 45% of the indicators are assessed as "green." Other areas, including unscheduled care indicators have also improved since 2021/22. We do, however, recognise the continuing impact of the pandemic, and of an increasingly challenging financial position.

Each IJB is required to produce an Annual Performance Report by 31 July 2023.

Our response

Our audit work in 2022/23 will consider:

- ▶ The effectiveness of performance reporting, both within the Annual Report and to the Board;
- ▶ How the IJB is demonstrating the impact of integration; and
- ▶ The effectiveness of plans in improving the outcomes for local people.

We will also review the IJB's arrangements for considering national reports, including evaluating the findings and implementing recommendations, such as reports from the Care Inspectorate.

Appendices

A - Code of Audit Practice Responsibilities

B - Independence report

C - Required communications with the Audit, Risk and Scrutiny Committee

D - Timing of communications and deliverables of the audit

E - Audit fees

F - Additional audit information

Appendix A: Code of Audit Practice Responsibilities

Audited Body Responsibilities

Audited bodies have 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 successfully deliver their objectives. The features of proper financial stewardship include the following:

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures;
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in

accordance with the appropriate authority

- ▶ preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements
- ▶ ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Appendix A continued

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified;
- ▶ compliance with any statutory financial requirements and achievement of financial targets;
- ▶ balances and reserves, including strategies about levels and their future use;
- ▶ how they plan to deal with uncertainty in the medium and longer term; and
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Responsibilities for Best Value, community planning and performance

Local government bodies have a duty to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:

- ▶ the quality of its performance of its functions
- ▶ the cost to the body of that performance
- ▶ the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- ▶ efficiency
- ▶ effectiveness

- ▶ economy
- ▶ the need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality.

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

Appendix A continued

Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards and, other than local government, requirements set out in the Scottish Public Finance Manual.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appointed Auditors' Responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- ▶ audit the accounts and place a certificate (i.e. an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act
- ▶ satisfy themselves, by examination of the accounts and otherwise, that:
 - ▶ the accounts have been prepared in accordance with all applicable statutory requirements
 - ▶ proper accounting practices have been observed in the preparation of the accounts
 - ▶ the body has made proper arrangements for securing Best Value and is complying with its community planning duties
 - ▶ hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

Appendix B: Independence Report

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

Required Communications

Planning Stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final Stage

- ▶ To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and
- ▶ An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor.

Appendix C: Required Communications

We have detailed below the communications that we must provide to the Board.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit, Risk and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	This audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	This audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report - September 2023

Appendix C continued

Our Reporting to you		
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty; ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and, ▶ The adequacy of related disclosures in the financial statements. 	Audit results report - September 2023
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▶ The effect of uncorrected misstatements related to prior periods; ▶ A request that any uncorrected misstatement be corrected; ▶ Corrected misstatements that are significant; and, ▶ Material misstatements corrected by management. 	Audit results report - September 2023
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity; ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist; and, ▶ A discussion of any other matters related to fraud. 	Audit results report - September 2023
Internal controls	Significant deficiencies in internal controls identified during the audit.	Audit results report - September 2023

| Appendix C continued

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management; ▶ Inappropriate authorisation and approval of transactions; ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations; and, ▶ Difficulty in identifying the party that ultimately controls the entity. 	Audit results report - September 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards; and, ▶ Information about the general policies and process within the firm to maintain objectivity and independence. 	This audit planning report and audit results report (September 2023)
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report - September 2023
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit results report - September 2023

Appendix C continued

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▶ Enquiry of the Audit, Risk and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Risk and Scrutiny Committee may be aware of. 	Audit results report - September 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit results report - September 2023
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit results report - September 2023
Best Value and Wider Scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	Audit results report - September 2023
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	Audit results report - September 2023

Appendix D: Timeline of communication and deliverables

Audit Activity	Deliverable	Timing
January		
February	Risk assessment for Financial Statements and wider scope audit dimensions	<div data-bbox="712 574 1057 708" style="border: 1px solid black; padding: 5px; width: 100%;"> Submission of quarterly fraud return </div>
March	Walkthrough of key systems and processes.	<div data-bbox="712 756 1057 840" style="background-color: #333; color: white; padding: 5px; width: 100%;"> Annual Audit Plan </div> <div data-bbox="1173 756 1375 840" style="background-color: #e0e0e0; padding: 5px; width: 100%;"> 24 March 2023 </div>
April		
May		
June	Update meeting with Finance Team	<div data-bbox="712 1328 1057 1462" style="border: 1px solid black; padding: 5px; width: 100%;"> Submission of quarterly fraud return </div>
July	Year end audit fieldwork	
August		
September	Audit completion procedures	<div data-bbox="712 1921 1057 1973" style="background-color: #333; color: white; padding: 5px; width: 100%;"> Annual Audit Report </div> <div data-bbox="1129 1921 1375 1973" style="background-color: #e0e0e0; padding: 5px; width: 100%;"> 30 September 2023 </div>

| Appendix E: Audit Fees

2022/23 Fees

The Board's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2022/23	2021/22
Component of fee:		
Auditor remuneration - expected fee	£33,190	
Additional audit procedures (note 1)	-	
Audit Scotland fixed charges:		
Performance audit and best value	£6,310	
Audit support costs	£1,260	
Sectoral price cap	(£9,290)	
Total fee	£31,470	£27,960

The expected fee, set by Audit Scotland, assumes that the Board has well-functioning controls, an effective internal audit service, and an average risk profile.

Note 1

Where auditors identify that additional work is required because of local risks and circumstances in a body, the auditor may negotiate an increase to auditor remuneration by up to 10% of auditor remuneration. Should additional audit requirements arise we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Audit, Risk and Scrutiny Committee within our Annual Audit Report.

Appendix E: Additional Audit Information

Introduction

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Audit, Risk and Scrutiny Committee reporting appropriately addresses matters

communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and

- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

- ▶ For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- ▶ Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- ▶ The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

| Appendix E continued

| Audit Quality Framework / Annual Audit Quality Report

- ▶ Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- ▶ We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>
- ▶ EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report:
https://www.ey.com/en_uk/about-us/transparency-report

| Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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