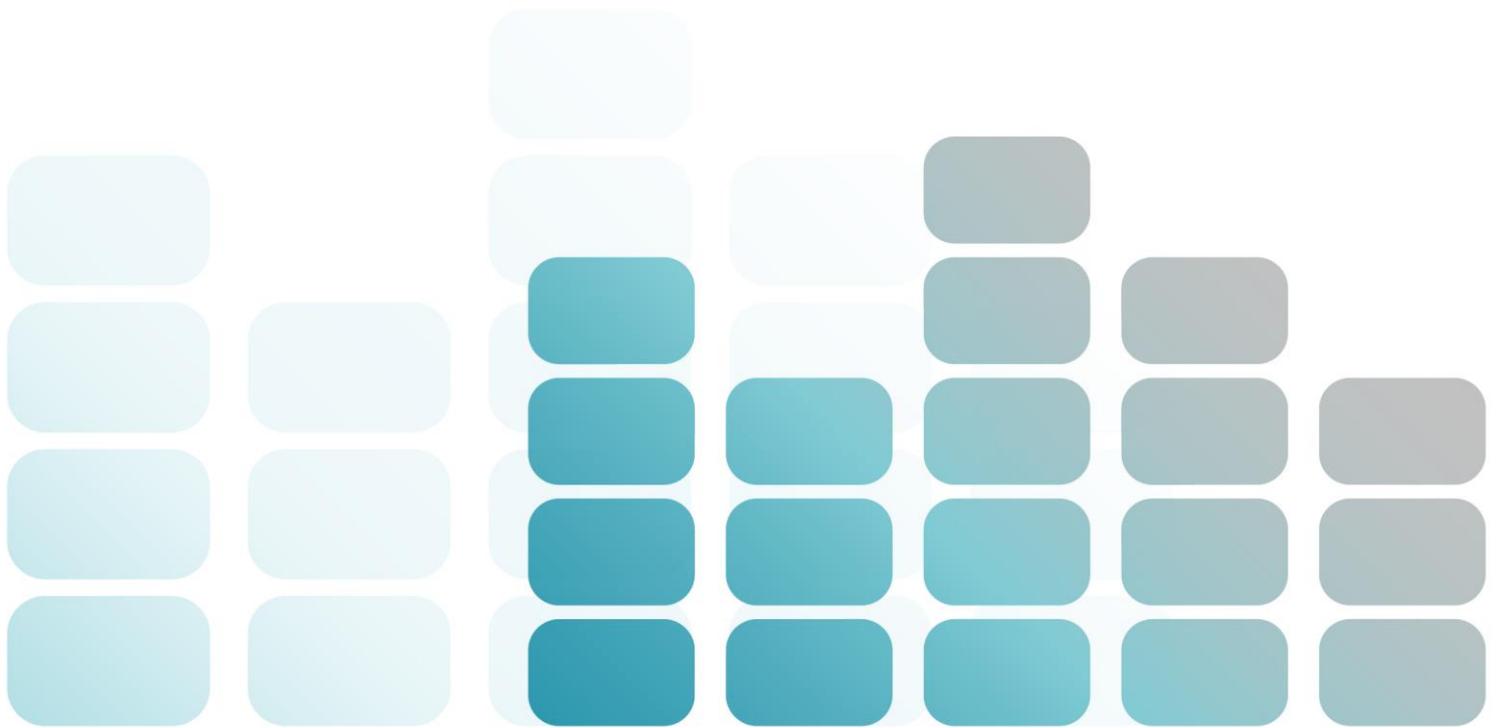


East Lothian Integration Joint Board

Annual Audit Plan 2024/25



Prepared for East Lothian Integration Joint Board

March 2025

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Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of East Lothian Integration Joint Board's (East Lothian IJB's) annual accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. John Boyd, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of East Lothian IJB for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. John Boyd and the audit team are independent of East Lothian IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of East Lothian IJB to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, including the Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report.
- Conclusions on East Lothian IJB's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on East Lothian IJB's arrangements for securing Best Value.
- A review of East Lothian IJB's arrangements for preparing and publishing statutory performance information.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of East Lothian IJB and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on East Lothian IJB's arrangements in place for the wider scope areas.

East Lothian IJB's responsibilities

8. East Lothian IJB has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of East Lothian IJB are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for East Lothian IJB

Materiality	Amount
Materiality – based on an assessment of the needs of users of the financial statements and the nature of East Lothian IJB's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£4.548 million
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality.	£3.411 million

Materiality	Amount
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£227 thousand

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of East Lothian IJB, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to East Lothian IJB and those charged with governance, where relevant.

16. As set out in International Standard on Auditing (UK) 240: The auditor's responsibilities relating to fraud in an audit of financial statements, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2024/25 as, while the possibility of fraud exists, we do not judge it to be a significant risk due to the revenue streams coming from the partner bodies of NHS Lothian and East Lothian Council as there is limited opportunity or incentive for misstatement.

17. In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Due to the nature of East Lothian IJB's expenditure, being the commissioning of services from partner bodies, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2024/25 on the basis there is limited opportunity or incentive for misstatement.

18. Assurances over the accuracy and completeness of IJB transactions will be obtained from the auditors of East Lothian Council and NHS Lothian. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Agree balances and transactions to East Lothian Council and NHS Lothian financial reports/ledger/correspondence. • Assurances will be obtained from the auditors of East Lothian Council and NHS Lothian over the completeness, accuracy and allocation of income and expenditure. • Review of significant adjustments at year end where we consider there to be greatest risk of material misstatement through management override of controls. • Review financial monitoring reports during the year. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.

Source: Audit Scotland

Other areas of audit focus

19. As part of our assessment of audit risks, we have not identified any other areas of specific audit focus.

Key audit matters

20. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

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

Wider scope and Best Value

Introduction

22. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on East Lothian IJB being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering East Lothian IJB's medium- to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering East Lothian IJB's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

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

Best Value

24. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies

to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973.

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

Wider scope and Best Value risks

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

Exhibit 3 Wider scope and Best Value risks

Description of risk	Planned audit response
<p>1. Financial sustainability</p> <p>The 2024/25 Q3 financial position shows a projected overspend for the year of around £3.5m with some savings planned for 2024/25 expected to be delivered in 2025/26.</p> <p>The latest Financial Plan 2024/25 -2028/29 shows the IJB facing significant and increasing overspends against forecast budgets for the current year onwards.</p> <p>The IJB continues to be faced with significant financial challenges, and with having to make difficult decisions for the foreseeable future.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review financial plans developed and assess the appropriateness of the financial plans and any assumptions made. • Assess if financial plans developed are aligned to East Lothian IJB's Strategic priorities. • Review financial monitoring reports to assess the financial position, including progress of partner bodies in achieving planned savings. • Review controls in place and updates to financial plans to assess financial sustainability.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

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

- This Annual Audit Plan.
- An Independent Auditor's Report to East Lothian IJB and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to East Lothian IJB and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

28. The matters to be reported in the outputs will be discussed with East Lothian IJB for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual accounts.

29. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the annual accounts, which is 30 September 2025 for local government bodies.

30. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2025.

Audit timetable

31. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 4](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with East Lothian IJB and reported to those charged with governance, where required.

Exhibit 4

2024/25 audit timetable

Audit activity	East Lothian IJB target date	Audit team target date	Relevant Board/Committee date
Issue of Annual Audit Plan	N/A	11 March 2025	18 March 2025
Annual accounts:			
• Consideration of unaudited annual accounts by those charged with governance	30 June 2025	N/A	26 June 2025
• Submission of unaudited annual accounts and all working papers to audit team	30 June 2025	N/A	N/A
• Latest date for audit clearance meeting	15 September 2025	15 September 2025	N/A
• Agreement of audited and unsigned annual accounts	18 September 2025	18 September 2025	N/A
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	N/A	18 September 2025	25 September 2025
• Approval by those charged with governance and signing of audited annual accounts	25 September 2025	N/A	25 September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report	N/A	30 September 2025	N/A

Source: Audit Scotland

Audit fee

32. East Lothian IJB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is set out in [Exhibit 5](#).

33. In setting the audit fee, it is assumed that East Lothian IJB has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned

scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Exhibit 5

Audit fee (including VAT)

Fee component ¹	Fee (£)
External auditor remuneration	37,670
Pooled costs, such as travel and subsistence costs	950
Contribution to the performance audit programme	7,230
Adjustment for average audit price increase	(11,850)
Total 2024/25 fee	34,000

Source: Audit Scotland

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

Other matters

Internal audit

34. East Lothian IJB is responsible for establishing an internal audit function as part of an effective system of internal control. East Lothian IJB's internal audit function is provided by the internal audit team of East Lothian Council.

35. While we are not planning to place formal reliance on the work of internal audit in 2024/25, we may consider aspects of internal audit's work in respect of our wider audit dimension responsibilities.

Audit quality

36. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

37. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

38. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute

of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

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

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

East Lothian Integration Joint Board

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