

Glasgow Integration Joint Board

**[Provisional] Annual Audit Plan
Year ended 31 March 2024**

7 February 2024

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 Glasgow 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 report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018.



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1. Executive summary

Purpose of our plan

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

This Annual Audit Plan, prepared for the benefit of senior management and the Finance, Audit and Scrutiny Committee, sets out our proposed audit approach for the audit of the financial for the year ended 31 March 2024. In preparing this plan, we have continued to develop our understanding of the IJB through:

- ▶ Regular discussions with management,
- ▶ Review of key documentation, including Board and committee reports; and
- ▶ Our understanding of the environment in which the Board is currently operating.

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. As we note in Appendix F, we will follow up each recommendation throughout our appointment to ensure implementation.

We use data insights where possible 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 Finance, Audit and Scrutiny Committee, the finalised plan will be provided to Audit Scotland and published on their 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 continuing independence to act as your external auditor. Further information is available in Appendix B.

Our key contacts:

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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 2023/24 Code of Accounting Practice, of the income and expenditure of the IJB for the year ended 31 March 2024 and;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2023/24 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 along with the financial statements.

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 (2021) 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. This 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.

Best Value considerations will be integrated with our wider scope annual audit work. We will report on how the IJB demonstrates that it has Best Value arrangements in place to secure continuous improvement.

Exhibit 1: Materiality Assessment in 2023/24

Planning Materiality

Overall materiality for the financial statements based on the Board's gross expenditure

£18
million

Performance Materiality

We have assessed performance materiality at 75% of overall materiality for the financial statements.

£13.5
million

Reporting Threshold

Level of error that we will report to the Finance, Audit and Scrutiny Committee.

£0.9
million

Exhibit 2: Summary of significant risks identified for the audit in 2023/24

One significant risk impacting the audit of financial statement has been identified in Section 3:

Risk of fraud in expenditure, including through management override

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.

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.

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.

One significant risk has been identified that impacts wider scope audit in Section 4:

Development of sustainable and achievable medium term financial plans

The IJB's 2023/24 budget identified a significant savings requirement of £21.6 million alongside the estimated use of £17.2 million of General Reserve balances to achieve financial balance in the year.

The most recent forecast highlights a worsening of the financial position, principally as a result of a substantial increase in the demand for homeless accommodation demands as a result of accelerated asylum case processing. This has a significant financial impact on the IJB, with additional costs estimated to reach £13.6 million in 2023/24. Other areas of significant budget variances include forecast prescribing costs, currently estimated at an overspend of £8.8 million.

Overall, the most recent IJB forecast outlines an overspend of £24.3 million, reducing the general reserves balance to £2 million.

The IJB will refresh its medium term financial outlook when it sets the 2024/25 budget in March 2024. The 2024/25 budget will require either significant additional funding or further savings to be identified, with continued cost pressures related to the challenges outlined above significantly above the remaining balance of the IJB's reserves.

Ahead of this, the IJB has set out an urgent programme of work to reshape services to support financial sustainability in future years.

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.

National Care Service Bill

In early December 2023, the Minister for Social Care, Mental Wellbeing and Sport wrote to the Finance and Public Administration Committee (FPAC) to provide relevant updates on plans for the National Care Service (NCS) Bill.

The information provided to the FPAC included:

- ▶ Details of proposed changes to structures and governance following negotiations with COSLA, and responses to concerns raised by the FPAC in its Stage 1 report
- ▶ An updated and revised Financial Memorandum showing costs associated with two alternative new scenarios; and
- ▶ A Programme Business Case.

There are 3 main changes that the Scottish Government (SG) intends to reflect through amendments to the NCS Bill at Stage 2 of the Parliamentary process:

- ▶ Shared accountability, as agreed with COSLA. As a result, local authorities “will retain responsibility for all current functions and the delivery of social work and social care services” and there will be

no transfer of staff or assets;

- ▶ Reform of Integration Authorities instead of the creation of local Care Boards
- ▶ The establishment of a joint NCS National Board, to which Integration Authorities will be accountable, with responsibility for management of the shared accountability framework and high-level functions such as standards and guidance, performance monitoring, and national commissioning and procurement.

The Scottish Government also outlined intentions to grant powers to Scottish Ministers to provide direct funding to reformed Integration Authorities.

Significantly, full implementation of the NCS has been delayed by 3 years, from the initial target of 2025/26 (by the end of the current parliamentary term) to 2028/29.

A number of other areas remain subject to consideration, including:

- ▶ The appointment of independent Chairs of each reformed Integration Authority, instead of the Chair being a representative of either local government or the NHS;
- ▶ Making use of powers in the existing (2014) legislation such as allowing authorities to directly employ Chief Officers and other staff and enabling greater cooperation and pooling of resources across Integration Authority boundaries.

The revised Financial Memorandum (FM) provides updated costs under two different scenarios:

1. The Bill as introduced being taken forward with no significant changes.
2. The revised plans including not establishing local care boards or transferring staff and assets.

The memorandum indicates:

- ▶ The changes intended to be made at Stage 2 are expected to save between £249 million and £1,276 million in total between now and 2031/32, compared to scenario 1; and
- ▶ Almost half (£581 million) of this upper estimate for costs saved is accounted for by the saving resulting from not establishing and running up to 31 local care boards.

Creation of the new NCS National Board will be modelled on the basis of creating a new public body with its own operational staff complement, at an annual cost of £4-6 million.

| Integration Joint Board Financial Analysis

In April 2023, Audit Scotland prepared its most recent financial analysis of IJBs, based on the financial position at 2021/22 and the outlook for 2022/23. This highlighted that challenges such as increasing demand for services, recruitment and retention issues and financial pressures were threatening the sustainability of social care services. As a result, Audit Scotland has signalled that an IJB Finance and Performance Report will be prepared by summer 2024 to provide an updated focus on:

- ▶ the context and challenges for IJBs
- ▶ performance against national health and wellbeing outcomes and targets alongside

other publicly available performance information;

- ▶ the financial performance of IJBs in 2022/23 and the financial outlook for IJBs in 2023/24 and beyond; and
- ▶ the effectiveness of arrangements in commissioning and procuring social care services in IJBs.

The report will set out a 'spotlight' focus on commissioning and procurement of social care in the report, including the identification of good practice, to ensure the quality, availability and sustainability of the social care services that communities and individuals need.

| Scottish budget

In December 2023, the Scottish Government published the Scottish Budget. The budget addressed plans only for 2024/25, in contrast to the commitment in the Verity House Agreement, to provide multi-year spending plans.

- ▶ The budget included announcements that the Scottish government will:
- ▶ Provide funding of £144 million to fund the announced Council Tax freeze;
- ▶ Provide an inflationary increase in the Scottish Child Payment, to £26.70 per week from April 2023; and
- ▶ An additional £550 million for NHS boards.

Other specific funding for the local government sector includes funding for social care and childcare workers in commissioned services to be paid at least £12 per hour from April 2024. The health settlement is likely to result in additional unfunded pressures for the IJB in 2024/25, including inflationary costs associated with prescribing.

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 2023/24 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 2023/24 Code of the state of affairs of the IJB as at 31 March 2024 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 2023/24 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.

Audit approach

We will continue to follow a predominantly 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.

| **Audit Approach continued**

- ▶ 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 Finance, Audit 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 2023/24 has been set at £18 million (2022/23: £17.7 million). This represents

1% of the Board's gross expenditure (Exhibit 3). Materiality will be reassessed throughout the audit process and will be communicated to the Finance, Audit and Scrutiny Committee within our annual audit report.

Our 2023/24 assessment concluded that gross operating expenditure remains the most appropriate basis for determining planning materiality for the Board.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations.

| **Specific materialities**

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 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.

We have provided supplemental information about audit materiality in Appendix F.

Exhibit 3: Our assessment of materiality in 2023/24

Element	Explanation	Value
Planning materiality	<p>The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.</p> <p>This represents 1% of the Board's Gross Expenditure.</p> <p>In 2022/23 this was set at £17.7 million.</p>	£18 million
Performance materiality	<p>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.</p> <p>We have set it at 75% of planning materiality. In 2022/23, this was set at £8.9 million (50% of Planning Materiality).</p>	£13.5 million
Reporting level	<p>The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.</p> <p>This is set at 5% of planning materiality. In 2022/23 the reporting level was set at £0.25 million, in line with previous guidance from Audit Scotland.</p>	£0.9 million

Our response to significant risks

Introduction

Auditing standards require us to make communications to those charged with governance throughout the audit. At Glasgow Integration Joint Board, we have agreed that these communications will be to the Finance, Audit and Scrutiny Committee. The financial statements and our annual audit report will also be reported to the Board.

One of the key purposes of our annual audit plan is to communicate our assessment of the risk of material misstatement in the financial statements.

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 current year audit, along with the rationale and expected audit approach. In 2023/24 we have identified one significant risk:

- ▶ Risk of fraud in expenditure recognition,, including through management override of control*

Other than expenditure recognition, we have not identified any specific areas where management override will manifest as a significant fraud risk, however we will continue to consider this across the financial statements throughout the audit.

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 Finance, Audit and Scrutiny Committee if our assessment changes significantly during the audit process.

1. Risk of fraud in revenue and expenditure recognition*

Financial statement impact

The relevant 2022/23 account balance in the audited financial statements was:

- ▶ Total cost of services: £1,608 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 the Council or NHS, we have rebutted the assumed fraud risk in respect of income.

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.

What work will we perform?

We will:

- ▶ Inquire of management about risks of fraud and the controls to address those risks;
- ▶ Consider the effectiveness of management's 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.

We will perform mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Substantively testing income and expenditure transactions as appropriate and material;
- ▶ Consideration of any new revenue streams and accrued income due to receipt of grant income, and its accounting arrangements against existing policies and LASAAC guidance;
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assess accounting estimates for evidence of management bias; and
- ▶ Evaluate the business rationale for significant unusual transactions.

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 2023/24 audits. We will consider whether we need to perform any other specific audit procedures throughout the audit.

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 substantial financial pressures facing the IJB, including the cost of living crisis, inflationary pressures, and other demand pressures such as homelessness, 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;
- ▶ Consider and challenge management expectations in relation to the ability to respond to future budget gaps, and/or the maintenance of general reserves;
- ▶ 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.

We continue to monitor the Scottish Government's plans to progress the National Care Service (Scotland) Bill, but due to the anticipated continuation of service provision, alongside updated expectations on timetable, 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, including consideration of Audit Scotland’s Code of Audit Practice Supplementary Guidance (February

2023); 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 Finance, Audit and Scrutiny Committee.

Our wider scope audit work, including follow up of prior year findings, 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

The Code explains the arrangements for the audit of Best Value in Integration Joint Boards.

Annual Best Value audit work in Integration Joint boards (IJBs) is to be 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 Accounts Commission does not require the Controller of Audit to report to the Commission on each IJB’s performance on its Best Value duty. However, the findings from our wider scope work will provide assurance on key aspects of the Best Value themes.

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.

Within its most recent medium term financial outlook (March 2023), the IJB estimated that the shortfall in funding to 2025/26 would be £86 million, including £42 million in the financial year 2023/24. The Board's Financial Strategy sets out three components to deliver transformational change:

- ▶ Service Prioritisation and Reduction;
- ▶ Efficiency and Income Maximisation; and
- ▶ Service Reform and Innovation.

To meet the immediate financial pressures in 2023/24, the annual budget identified:

- ▶ A significant savings requirement of £21.6 million; and
- ▶ The estimated use of £17.2 million of General Reserve balances.

However, in September 2023, the IJB highlighted a significant worsening of the financial position as a result of the UK Government's announcement of a streamlined asylum process to address the significant backlog of asylum decisions.

The streamlined process applies to households from countries who are more likely to receive a positive asylum decision. Any household that has received leave to remain in the UK can seek assistance to the Local Authority under homelessness legislation.

In October to November 2023, the IJB and Glasgow City Council highlighted that there are limited accommodation options to deal with further expected decisions from the Home Office.

The IJB had identified a forecast overspend within Homelessness Services to end September 2023 of £10.1 million. While the level of approved cases in the period to December 2023 was not as high as predicted, the IJB anticipate that the level of additional claims in 2023/24 will result in an overspend of £13.6 million in 2023/24. This will have full year implications of £53.4 million in 2024/25.

The IJB's most recent financial monitoring report (January 2024) highlights year to date overspends within prescribing (£6.2 million) and Adult Services (£6.6 million). As a result, the projected overspend for 2023/24 is £24.3 million, which would be required to be met from General Reserve balances. There is therefore a risk that the IJB's reserves will be exhausted in 2024/25 and that a sustainable financial plan is not achievable in the short term.

The IJB has engaged with its partner, Glasgow City Council, to support plans to address the financial and statutory challenge.

The Council has declared a housing emergency, and has agreed to lobby the Scottish and UK Governments to seek appropriate funding and legislative changes required to respond.

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 IJB’s approach to recovery planning for the homelessness service, in partnership with Glasgow City Council; and
- ▶ Further updates to the IJB’s Medium Term Financial planning throughout the year, with a focus on the implications for reserves balances.

Exhibit 4: Financial sustainability area of focus

<p>Sustainable financial outlook</p>	<p>The IJB’s 2023/24 budget identified a significant savings requirement of £21.6 million alongside the estimated use of £17.2 million of General Reserve balances to achieve financial balance in the year. The most recent forecast highlights a worsening of the financial position, principally as a result of a substantial increase in the demand for homeless accommodation demands as a result of accelerated asylum case processing. This has a significant financial impact on the IJB, with additional costs estimated to reach £13.6 million in 2023/24. Other areas of significant budget variances include forecast prescribing costs, currently estimated at an overspend of £8.8 million.</p> <p>Overall, the most recent IJB forecast outlines an overspend of £24.3 million, reducing the general reserves balance to £2 million. The IJB will refresh its medium term financial outlook when it sets the 2024/25 budget in March 2024. The 2024/25 budget will require either significant additional funding or further savings to be identified, with continued cost pressures related to the challenges outlined above significantly above the remaining balance of the IJB’s reserves.</p> <p>Ahead of this, the IJB has set out an urgent programme of work to reshape services to support financial sustainability in future years.</p>
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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 IJB is reliant on the systems of its partner bodies, NHS Greater Glasgow and Clyde, and Glasgow City 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 consider the monitoring and reporting arrangements from partner bodies. In 2022/23, the IJB's financial monitoring arrangements were impacted by an outage in Glasgow City Council's financial ledger.

We note within "Financial Sustainability" that the scale of the financial challenge is significantly higher than in prior years. The Board's most recent financial monitoring report, presented to the 24 January 2024 Board meeting, notes the significant impact of demand pressures, alongside implications for the IJB's partners if spending exceeds budget plans. At this stage, the IJB projects that net expenditure will be £24.3 million higher than budget.

The IJB has a significant savings programme in place to respond to the financial challenges, overseen by a Transformation Board. The Board estimates that £21.5 million of planned savings (99.6% of target) will be achieved in 2023/24.

The projected savings requirements in future years are likely to remain challenging.

In 2022/23 we noted an area for improvement in relation to the management of hosted services across the NHS Greater Glasgow and Clyde area.

Our response

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, drawing upon our ISA 315 work with the IJB's partners;
- ▶ Consideration of the IJB's response to document and maintain review of operational responsibilities for individual hosted services;
- ▶ Ongoing consideration of the IJB's financial monitoring reports, including actions taken in relation to recovery planning in key services such as prescribing and homelessness; and
- ▶ Monitoring the achievement of savings against plans.

Vision, Leadership and Governance



The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

The Board approved its Strategic Plan 2023-2026 in 2022/23 based on consultation with key stakeholders, including its health and local authority partners.

We concluded that governance arrangements worked well throughout 2022/23 and that the Annual Governance Statement was in line with our understanding of the organisation. In common with other IJB's, the Integration Scheme had not been updated in line with the expectations of the Public Bodies (Joint Working) (Scotland) Act 2014 as a result of the impact of the pandemic and uncertainty in response to the National Care Service Bill. At the time of the 2022/23 audit, the IJB's partners had commenced the review and have subsequently begun a consultation process. This will allow an updated version to be submitted to the Scottish Government in 2024/25.

The IJB's Finance, Audit and Scrutiny Committee considered a self assessment of its arrangements against updated CIPFA guidance for local authorities in June 2023. A small number of areas of future work were identified for improvement, which we will continue to monitor in 2023/24.

The IJB's Chief Internal auditor identified no unsatisfactory opinions in 2022/23, but four medium risk recommendations were reported as outstanding.

Our response

Our assessment of the Board's arrangements in 2023/24 will focus on:

- ▶ Consideration of the disclosures within the Governance Statement, including any findings from the annual review of the effectiveness of the system of internal control and the quality of data used throughout the organisation;
- ▶ The progress to update and agree a revised Integration Scheme;
- ▶ Review of the coverage of internal audit arrangements during 2023/24, 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



The IJB's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

The IJB has established a Performance Framework to report on progress against the Strategic Plan.

Throughout our appointment we will continue to consider the Quarterly Performance Reports that are scrutinised at FASC. The scrutiny considerations include deeper dive presentations from individual services.

Each IJB is required to produce an Annual Performance Report, usually by 31 July of each year. The 2022/23 Annual Performance Report highlighted continuing pressure in the delivery of some services, particularly as a result of staffing pressures post-pandemic.

The IJB has also recently highlighted the need to reshape the way that services are delivered to respond to the significant demand pressures highlighted within "Financial Sustainability". This programme of work will be led by the IJB's Executive Team and we will monitor progress reporting to the IJB.

Our response

Our assessment of the Board's arrangements in 2023/24 will focus on:

- ▶ Progress to reshape service design;
- ▶ Performance outcomes in 2023/24; and
- ▶ The effectiveness of performance scrutiny arrangements.

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

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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.

A

Code of audit practice: Responsibilities 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.

A

Code of audit practice: Responsibilities 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.

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 continuing independence to act as your external auditor.

C

Required communications

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Finance, Audit 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	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>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.</p>	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 2024

C

Required communications

		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 2024
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 2024
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 2024
Internal controls	Significant deficiencies in internal controls identified during the audit.	Audit results report - September 2024

C

Required communications

		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: ▶ 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 2024
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 2024)
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 2024
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit results report - September 2024

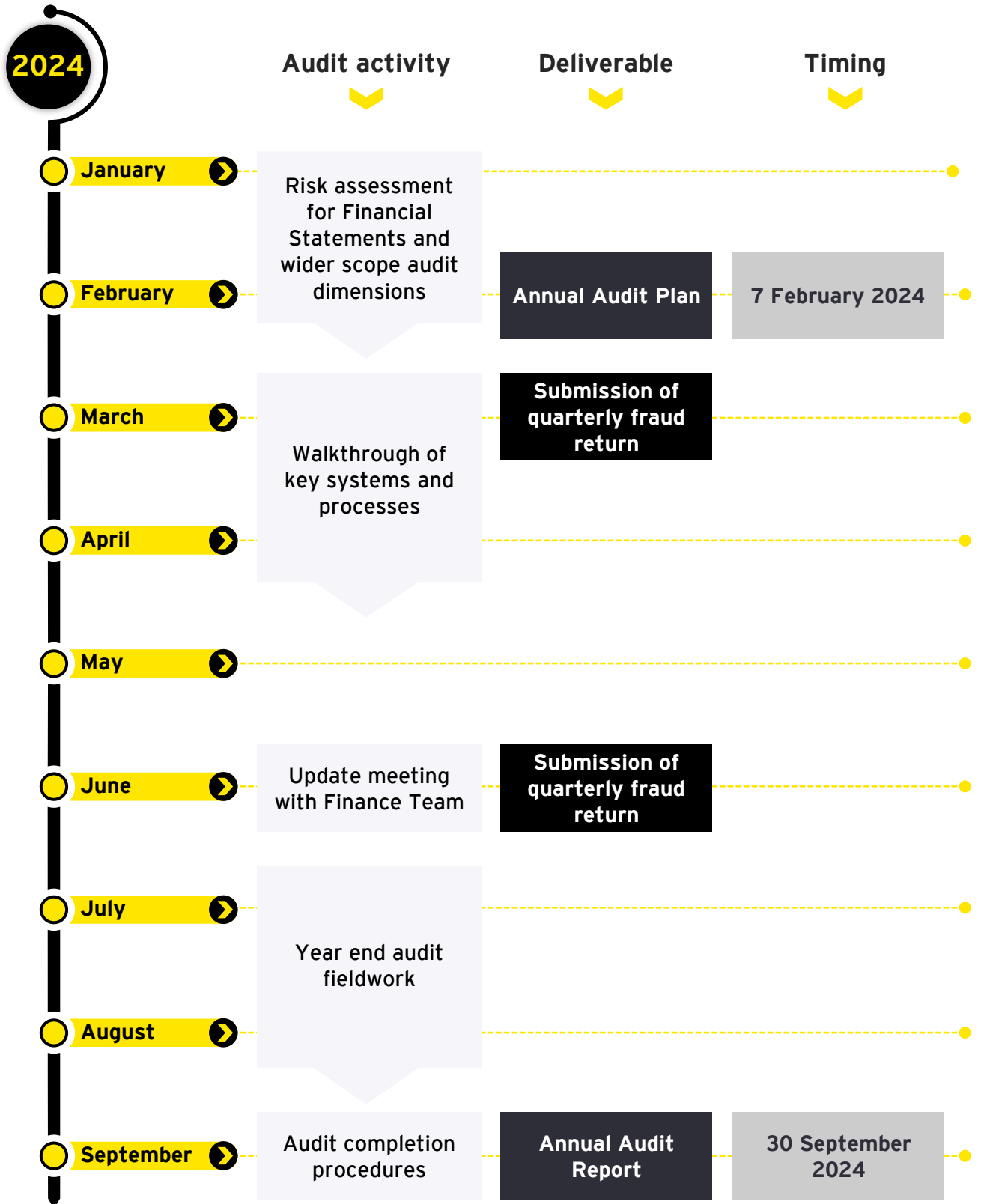
C

Required communications

		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 Finance, Audit 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 Finance, Audit and Scrutiny Committee may be aware of. 	Audit results report - September 2024
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit results report - September 2024
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit results report - September 2024
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 2024
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 2024

D

Timeline of communication and deliverables



E Audit Fees

2023/24 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.

	2023/24	2022/23
Component of fee:		
Auditor remuneration - expected fee	£35,420	£33,960
Additional audit procedures (note 1)	-	-
Audit Scotland fixed charges:		
Performance audit and best value	£7,560	£6,460
Pooled costs	£1,290	£1,290
Sectoral price cap	(£10,910)	(£10,240)
Total fee	£33,360	£31,470

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. We will agree a timetable and expectations for the audit with management. Should additional audit requirements arise, due to delays or emerging areas of risk, we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Finance, Audit and Scrutiny Committee within our Annual Audit Report.

F

Prior year audit recommendations

As part of our annual audit procedures we will follow up the specific recommendations made within our 2022/23 Annual Audit Report. The two recommendations from prior year are outlined below, along with the response from management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1.	<p>Hosted Services</p> <p>Glasgow IJB hosts a number of services on behalf of other IJBs within the NHS Greater Glasgow and Clyde area. We noted that in practice there are no arrangements in place to document and maintain review of operational responsibilities.</p>	<p>The IJB should ensure that operational arrangements are documented and maintained for hosted services.</p> <p style="text-align: right;">Grade 2</p>	<p>Response:</p> <p>Agreed. This work will be undertaken in conjunction with the other five IJB's across Greater Glasgow and Clyde.</p> <p>Responsible officer:</p> <p>Chief Finance Officer</p> <p>Implementation date:</p> <p>31 March 2024</p>
2.	<p>Medium Term Financial Plan</p> <p>The IJB has historically met any overspend by drawing on General Reserve balances. We note that under the level of current financial pressures, there is a risk that the IJB's General Reserves will be exhausted in the short term. There is therefore a need to work with partners to develop a sustainable funding position.</p>	<p>The IJB should work with partners to ensure that the medium term financial plan is realistic and sustainable. This should include an assessment about the appropriateness and achievability of savings and the risk sharing arrangements for key areas of overspend.</p> <p style="text-align: right;">Grade 1</p>	<p>Response:</p> <p>The IJB will continue to engage with Partner Bodies in relation to annual funding and medium term financial planning to ensure that the medium term financial plan is realistic and sustainable. The MTFP will be revised to reflect the recent announcement in relation to a reduction in employer contributions to Strathclyde Pension Fund. This will improve the IJB's position over the medium term.</p> <p>Routine budget monitoring will continue to monitor areas of overspends and deliverability of savings. Discussions with Partner Bodies will take place where relevant.</p> <p>Responsible officer:</p> <p>Chief Finance Officer</p> <p>Implementation date:</p> <p>Ongoing</p>

G

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 Finance, Audit 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.

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-202223>
- ▶ 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

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Auditor General has appointed us as external auditor of Glasgow 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 Accounts Commission and Audit Scotland (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.

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.

EY | Building a better working world

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