

Independent Living Fund Scotland

2022/23 Annual Audit Report



 AUDIT SCOTLAND

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

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Key messages

2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 Key risks arising from the audit of Independent Living Fund Scotland annual report and accounts as outlined in our Annual Audit Plan were presented to the Audit Committee in April 2023. There are no significant matters from that work to draw to the attention of the Board.

Financial management and sustainability

- 3 Independent Living Fund Scotland had appropriate and effective financial management in place with regular budget monitoring reports provided to the board.
- 4 Independent Living Fund Scotland reported an overspend of £0.8 million which was met through the planned use of reserves.
- 5 There is scope for enhancing some financial systems of internal control while standards for the prevention and detection of fraud remain appropriate.
- 6 Independent Living Fund Scotland must tackle organisational challenges to maintain financial sustainability.

Vision, leadership and governance

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

Use of resources to improve outcomes

- 10 Independent Living Fund Scotland should further develop its approach to demonstrating Best Value.
- 11 Independent Living Fund Scotland were able to achieve all of their performance targets during 2022/23.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Independent Living Fund Scotland. The scope of the audit was set out in an annual audit plan presented to the 17 April 2023 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

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

2. This report is addressed to both Independent Living Fund Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Kyle McAulay, have been appointed by the Auditor General as auditor of Independent Living Fund Scotland for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

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

Responsibilities and reporting

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

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

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

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

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £27,580 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to Independent Living Fund Scotland by:

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

1. Audit of 2022/23 annual report and accounts

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

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Key risks arising from the audit of Independent Living Fund Scotland annual report and accounts as outlined in our Annual Audit Plan were presented to the Audit Committee in April 2023. There are no significant matters from that work to draw to the attention of the Board.

Audit opinions on the annual report and accounts are unmodified

11. The board approved the annual report and accounts for Independent Living Fund Scotland for the year ended 31 March 2023 on 27 June 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report was prepared in accordance with the financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The unaudited annual report and accounts were submitted in line with our agreed audit timetable

12. The unaudited annual report and accounts were received in line with our agreed audit timetable on 28 April 2023 and good support was provided to the audit team during the course of our audit work.

13. Minor issues were identified with the working papers provided to audit however these were rectified to allow us to conclude on our work.

Overall materiality was assessed as £1.1 million

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

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

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£1.1 million
Performance materiality	£0.66 million
Reporting threshold	£55,000

16. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

17. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65 per cent of overall materiality, reflecting the fact there were no significant issues identified in the prior year audit impacting our audit approach and no significant history of errors being communicated to us by the previous audit team.

18. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

19. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

20. The [Code of Audit Practice 2021](#) also requires all audits to communicate key audit matters within the annual audit report under International Standard on

Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

21. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

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

Issue	Resolution
<p>1. Non-compliance with the Government Financial Reporting Manual (FReM)</p> <p>Instances of non-compliance with the FReM were identified across sections of the annual report including the Performance Report, Governance Statement and Remuneration and Staff Report.</p> <p>For example, the annual report and accounts presented for audit did not include a statement from the Chief Executive on the performance of Independent Living Fund Scotland.</p>	<p>The annual report was updated by management and now complies with the requirements of the FReM.</p> <p>Recommendation 1</p> <p>(Refer to Appendix 1, action plan)</p>
<p>2. Accounting Treatment of Unspent Monies</p> <p>Prior to receiving the unaudited annual report and accounts, it was identified that Independent Living Fund Scotland accounted for the receipt of Unspent Monies from recipients on a cash basis which is not permitted by the FReM.</p> <p>The 2022/23 annual report and accounts included an estimate for the debtor balance relating to Unspent Monies of £0.417 million as at 31 March 2023.</p> <p>Our recalculation of this estimate identified that this balance may be understated by £0.068 million.</p>	<p>Management amended their accounting policy to account for Unspent Monies on an accruals basis in line with the requirements of the FReM.</p> <p>The estimate for the debtor balance relating to Unspent Monies was not adjusted by management in the audited annual report and accounts.</p>
<p>3. Disposal of Intangible Assets</p> <p>Management recognised a disposal of intangible assets with a net book value of nil in year. These intangibles assets remain in use by Independent Living Fund Scotland, confirming a disposal had not occurred.</p>	<p>Management reversed the disposal and adjusted the presentation of disposals within the annual report and accounts.</p>
<p>4. Lease Agreement for Denholm House</p> <p>Following implementation of IFRS 16, Independent Living Fund Scotland has recognised a “Right of Use Asset” with a net book value of £521k on the Statement of Financial Position. This related to a new 10 year lease agreement for Denholm House.</p>	<p>Per the ISA 580 Letter of Representation, assurances were sought from the Accountable Officer that Independent Living Fund Scotland has ownership rights to recognise this asset as a “Right of Use Asset” on its</p>

Issue	Resolution
The lease agreement was entered into by Scottish Government on behalf of Independent Living Fund Scotland in February 2022. However, the lease agreement is still in draft and has yet to be finalised and signed by all parties.	Statement of Financial Position as at 31 March 2023. Recommendation 2 (Refer to Appendix 1 , action plan)

Key risks arising from the audit of Independent Living Fund Scotland annual report and accounts as outlined in our Annual Audit Plan were presented to the Audit Committee in April 2023. There are no significant matters from that work to draw to the attention of the Board.

22. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p> <p>This is presumed to be a significant risk in all audits.</p>	<p>Assessed the design and implementation of controls over journal entry processing.</p> <p>Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Tested journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Considered the need to test journal entries and other adjustments during the period.</p>	<p>Results: Work undertaken included detailed testing of journal entries, accruals, prepayments and invoices; as well as review of accounting estimates and transactions for appropriateness. Specific enquiries were made of individual staff as to whether they had knowledge or awareness of manipulation of financial recording or processing of fraudulent journals.</p> <p>Conclusion: No incidents of management override of controls were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	

23. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

Grants to individuals – year end liabilities: We assessed the design and implementation of controls over grant payments. We assessed the methodology adopted for the calculation of the year-end accrual and substantively tested a sample of grant payments to ensure expenditure is recognised in the correct financial year.

24. We kept this area under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

There was one non-material misstatements identified within the financial statements

25. Other than the corrected non-material misstatement detailed as a significant finding in [Exhibit 2](#), our audit identified no misstatements above our reporting threshold.

Other findings

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

2. Financial management

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

Conclusion

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

Independent Living Fund Scotland reported an overspend of £0.8 million which was met through the planned use of reserves.

There is scope for enhancing some financial systems of internal control while standards for the prevention and detection of fraud remain appropriate.

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

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

Independent Living Fund Scotland reported an overspend of £0.8 million which was met through the planned use of reserves

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

29. Independent Living Fund Scotland has reported an outturn of £55.7 million against drawdown Grant-in-Aid for 2022/23 of £54.9 million resulting in an overspend of £0.8 million met from reserves. This was both planned and approved by management and Scottish Government. The financial performance against fiscal resources is shown in [Exhibit 4](#).

Exhibit 4

Performance against fiscal resource in 2022/23

Performance	Drawdown £m	Outturn £m	Over/(under) spend £m
Grant Payments	51.2	51.4	(0.2)
Administration Costs	3.7	4.3	(0.6)
Total	54.9	55.7	(0.8)

Source: Independent Living Fund Scotland Annual Report and Accounts 2022/23

30. Independent Living Fund Scotland's budget was decreased as part of the Spring Budget revision. The major areas of reduced income or expenditure at Independent Living Fund Scotland included:

- a £2.0 million underspend in grant payments for the 2015 Fund
- a £2.2 million overspend in grants payments for the Transition Fund
- a £0.6 million overspend in administration costs.

Standards of conduct for prevention and detection of fraud and error are adequate with room for improvement in how Independent Living Fund Scotland communicates with its staff

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

32. Independent Living Fund Scotland has adequate arrangements in place to prevent and detect fraud or other irregularities. One area for improvement relates to how it communicates counter fraud information to its staff. Policies are in place for the misuse of funds and whistleblowing but there is no formal counter fraud policy in place which staff are required to adhere to.

Recommendation 3

To strengthen its internal control environment, Independent Living Fund Scotland should develop a formal counter-fraud policy which staff are required to adhere to.

There is scope for enhancing some financial systems of internal control

33. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we noted the following areas where there is scope for improvement to the operation of certain internal controls:

- Recording of Unspent Monies - there is no formal process for recording the amount of Unspent Monies within the financial records when these amounts are initially identified either by the Assessor or when Independent Living Fund Scotland is informed by the Award Manager.
- Second officer verification checks - verification checks performed by a second officer were not always evidenced. This included journal entries, reconciliations and creation and approval of payment batches.
- User access to systems - user access for a previous employee had not been removed from the general ledger system.
- Grant payments - controls over the the calculation of grant payments to individuals failed to identify errors or remove elements for which recipients were no longer entitled to.

Recommendation 4

Management should review the controls around their key financial systems in order to ensure minimal opportunity for fraud, error and irregularity.

3. Financial sustainability

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

Conclusion

Independent Living Fund Scotland has developed a five year medium-term financial plan covering the period 2022/23 to 2026/27.

Independent Living Fund Scotland must tackle organisational challenges to maintain financial sustainability.

2023/24 budget

34. Independent Living Fund Scotland agreed its draft budget for 2023/24 at its Board meeting in January 2023. This was subject to the confirmation and associated Grant-In-Aid allocated for 2023/24 by Scottish Ministers. In March 2023, Scottish Ministers provided confirmation that the total budget and associated Grant-in-Aid for 2023/24 was £60.5 million.

35. A revised balanced budget was agreed at the Board meeting in April 2023 with total grant payments of £55.7 million and administration costs of £4.8 million to be met from Grant-In-Aid of £60.5 million.

Independent Living Fund Scotland has developed a five year medium-term financial plan covering the period 2022/23 to 2026/27

36. Independent Living Fund Scotland's' new medium-term financial plan was approved by the Board in January 2023. The medium-term financial plan includes both best and worst-case scenarios based on no change to available income and recipient contributions being reduced to either £23 per week or £nil.

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

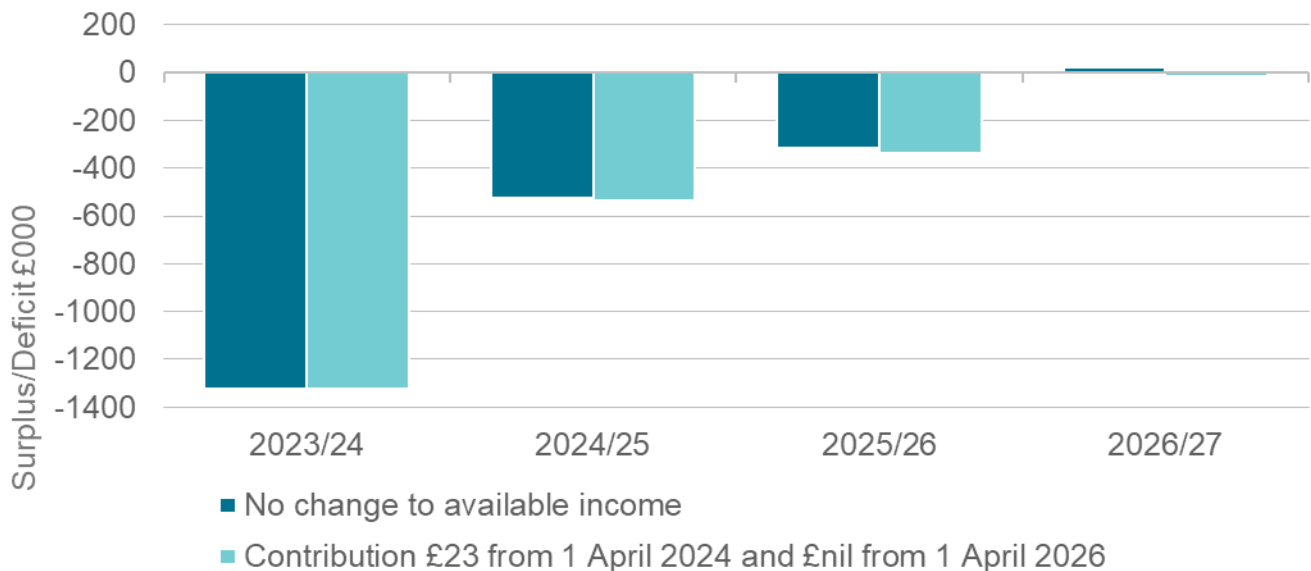
38. Independent Living Fund Scotland estimate that a reduction to £23 per week with effect from 1 April 2024 will cost approximately £2 million and a further reduction to £nil with effect from 1 April 2026 will cost a further £2 million.

39. Without additional Grant-In-Aid, projections of these scenarios are summarised in [Exhibit 5](#), highlighting that Independent Living Fund Scotland will

be in a deficit position should recipient contributions be reduced to £23 per week or £nil.

Exhibit 5

Medium-term financial plan forecast 2023/24 to 2026/27



Source: Independent Living Fund Scotland Medium-Term Financial Plan 2022/23 to 2026/27

Independent Living Fund Scotland must tackle organisational challenges to maintain financial sustainability

40. The economic outlook is uncertain with extraordinary pressures on costs from high inflation, supply chain shortages and high demand for commodities (including goods, services and labour). Announcements by the Scottish Government indicate their intentions for planned reductions in overall public sector spending over the coming years to counter the economic downturn.

41. Independent Living Fund Scotland faces a difficult period in setting and operating within a budget which will deliver its corporate objectives and also meet its financial target to operate within its financial resource limits. There are a number of elements within the Independent Living Fund Scotland budget which represent significant cost pressures and will require to be carefully managed. Given the current economic uncertainty, there is a need to keep key metrics used in financial planning scenarios under review.

Recommendation 5

Key assumptions and judgements used in budget forecasting should be subject to regular review to maintain financial sustainability given the current economic uncertainty.

4. Vision, leadership and governance

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

Conclusion

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

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

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

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

42. The Strategic Plan was prepared in March 2023. This plan covers the period from 2023 to 2025 and supersedes the previous Strategic Plan covering the period from 2020 to 2023. All other business strategies sit under the Strategic Plan.

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

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

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

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

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

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

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

48. Independent Living Fund Scotland's website is clear and well structured. Board minutes are available to the public along with key publications including the organisation's strategy, policies, equalities mainstreaming report and the annual report and accounts. We concluded that the board conducts its business in an open and transparent manner.

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

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

50. We have concluded that Independent Living Fund Scotland's executive and non-executive directors have demonstrated effective leadership and scrutiny of the board's activity and performance in 2022/23. Going forward, the executive and non-executive directors will have some challenging decisions to make with regard to how services are best delivered in the current financial climate.

Climate change arrangements are reasonable but a Climate Change Strategy has yet to be finalised

51. Our 2022/23 Annual Audit Plan highlighted that tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

52. Independent Living Fund Scotland are in the process of developing a Climate Change Strategy but this has not yet been finalised. Independent Living Fund Scotland aligns to the general climate change duties set out under Section 44 of the Climate Change (Scotland) Act 2009. Although not a listed public body with the requirement to report directly against the carbon reduction targets,

Independent Living Fund Scotland is working towards its own Net Zero targets by 2040.

53. Independent Living Fund Scotland is now linked in to the Scottish Government Climate Change team in order to obtain access to information and knowledge on responsibilities, requirements, measurement tools and reporting frameworks for implementing Net Zero action plans.

54. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

The Service Delivery Transformation Model and associated Target Operating Model set out a framework for the use of digital technologies to support the organisation's digital and strategic objectives

55. The Service Delivery Transformation Model and associated Target Operating Model set out a framework for the use of digital technologies to support the organisation's digital and strategic objectives.

56. During 2022/23, we confirmed that internal audit carried out a review of Independent Living Fund Scotland's Digital Strategy. No significant issues were identified from this review. However, a potential issue was identified by internal audit in relation to the ICT infrastructure for the Transition Fund. Independent Living Fund Scotland received notice from the Scottish Government that the data centre that hosts the portal is to be decommissioned and work has commenced on identifying an alternative solution.

Cyber security arrangements could be enhanced

57. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we considered Independent Living Fund Scotland's arrangements for managing and mitigating cyber security risks.

58. Arrangements for maintaining the integrity and security of data within networks used by Independent Living Fund Scotland is considered to be adequate. Independent Living Fund Scotland achieved Cyber Essentials PLUS accreditation in February 2023.

59. Independent Living Fund Scotland have formal security, patching, backup and restore from back up arrangements in place for both the SCOTS provided infrastructure and its core client database ICI. However, through discussion with management it was identified that back up files are not subject to regular testing to ensure that data can be regenerated without loss.

60. Payroll services for Independent Living Fund Scotland are outsourced to IRIS FMP who provide end-to-end payroll processing functions. Our audit work identified that the latest statement of assurance provided by IRIS FMP for the security of data is dated December 2021. An updated statement of assurance is in development but has yet to be provided by IRIS FMP.

Recommendation 6

Management should perform regular testing of data back up files to ensure that they can be regenerated without loss and that an up to date statement of assurance is obtained from IRIS FMP.

5. Use of resources to improve outcomes

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

Conclusion

Independent Living Fund Scotland should further develop its approach to demonstrating Best Value.

Independent Living Fund Scotland were able to achieve all of their performance targets during 2022/23.

Independent Living Fund Scotland should further develop its approach to demonstrating Best Value

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

62. We consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. We may also, in conjunction with Independent Living Fund Scotland, agree to undertake local work in this area. We did not undertake any specific work in 2022/23, however found that Independent Living Fund Scotland does not have a formally agreed document that details the arrangements in place to support the best value characteristics.

63. The best value process could be further enhanced by producing a document that is updated annually detailing the arrangements that support the characteristics. The annual update should be presented and approved by the Board or appropriate committee.

Recommendation 7

Independent Living Fund Scotland should produce an annual formally agreed document which details how it meets the best value characteristics as set out in the SPFM.

Independent Living Fund Scotland were able to achieve all of their performance targets during 2022/23

64. Independent Living Fund Scotland continued to monitor key performance indicators throughout the year with performance reported to the Board on a regular basis. Performance is assessed by three strategic priorities as outlined in [paragraph 44](#) of this report and each one has several key objectives, which are monitored via key performance indicators.

65. Independent Living Fund Scotland have achieved all of their targets in 2022/23 and should take the opportunity to reflect on whether there is a need to revise any of these targets to ensure they are challenging but achievable.

Appendix 1. Action plan 2022/23

2022/23 recommendations

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

Issue/risk	Recommendation	Agreed management action/timing
<p>There is no signed lease agreement for the current lease arrangement for Denholm House.</p> <p><i>Risk – there is no substantive evidence of ownership rights to the “Right of Use” asset or corresponding finance lease liability obligations as disclosed in the Statement of Financial Position.</i></p>		
<p>3. Counter-fraud policy</p> <p>There is no formal counter-fraud policy in place which allows management to establish expected behaviours and standards of staff in respect of fraud.</p> <p><i>Risk – staff are unaware of the arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption leading to an increased risk of fraudulent activity occurring.</i></p>	<p>To strengthen its internal control environment, Independent Living Fund Scotland should develop a formal counter-fraud policy which staff are required to adhere to.</p> <p>Paragraph 32</p>	<p>Agreed by management. Chief Operating Officer 30 September 2023</p>
<p>4. Internal controls</p> <p>We noted some areas where there is scope for improvement to the operation of certain internal controls.</p> <p><i>Risk – there is a risk that internal controls do not operate effectively resulting in increased opportunity for fraud, error and irregularity to occur.</i></p>	<p>Management should review the controls around their key financial systems in order to ensure minimal opportunity for fraud, error and irregularity.</p> <p>Paragraph 33</p>	<p>Agreed by management. Head of Finance 30 September 2023</p>
<p>5. Budget forecasts contains factors which are subject to change</p> <p>Budget forecasts are based on a set of parameters which determine a best case and worst case scenario. Some of these factors are highly volatile and subject to change.</p>	<p>Key assumptions and judgements used in budget forecasting should be subject to regular review to maintain financial sustainability given the current economic uncertainty.</p> <p>Paragraph 41</p>	<p>Forecast assumptions are examined every month. Finance Director 30 June 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><i>Risk – budget forecasts may predict significantly inaccurate results.</i></p>		
<p>6. Cyber security arrangements could be enhanced</p> <p>Back up files for key application systems are not subject to regular testing.</p> <p>The latest statement of assurance provided by IRIS FMP is dated December 2021.</p> <p><i>Risk – In the event of a cyber attack and without regular and up to date assurances, there is a risk that data within key application systems cannot be regenerated without loss.</i></p>	<p>Management should perform regular testing of data back up files to ensure that they can be regenerated without loss and that an up to date statement of assurance is obtained from IRIS FMP.</p> <p>Paragraph 59-60</p>	<p>Agreed, back ups are taken twice daily and we have successfully completed a full restore previously. However we will develop a planned cycle of full restore from backup.</p> <p>Director of Digital and Information Services</p> <p>31 July 2023</p>
<p>7. Best Value framework</p> <p>Independent Living Fund Scotland does not have a formally agreed document that details the arrangements in place to support the best value characteristics.</p> <p><i>Risk – Independent Living Fund Scotland is unable to demonstrate compliance with the duty of best value per the characteristics set out in the SPFM.</i></p>	<p>Independent Living Fund Scotland should produce an annual formally agreed document which details how it meets the best value characteristics as set out in the SPFM.</p> <p>Paragraph 63</p>	<p>Agreed by management.</p> <p>Chief Executive</p> <p>30 September 2023</p>

Independent Living Fund Scotland

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