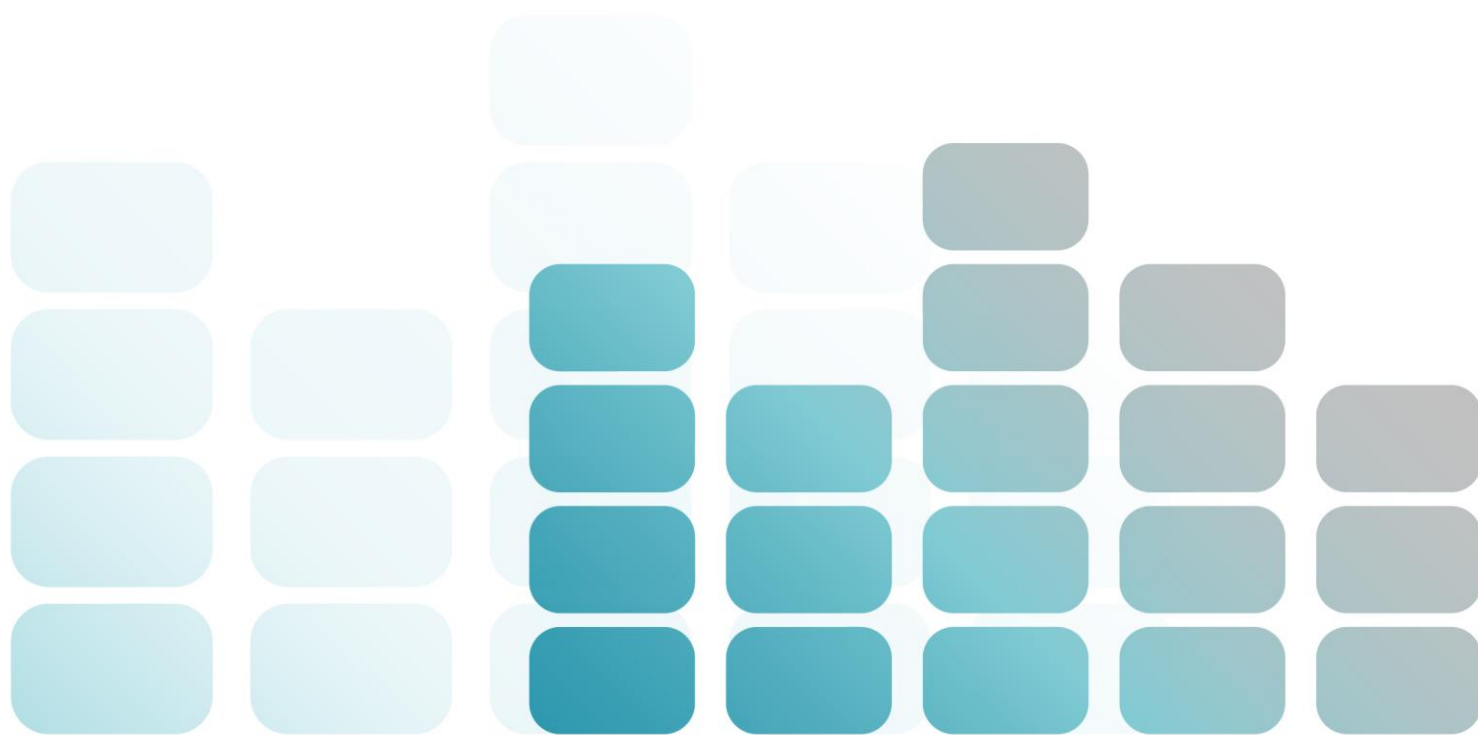


Aberdeen City Integration Joint Board

Annual Audit Plan 2024/25



Prepared for Aberdeen City Integration Joint Board
March 2025

Contents

Introduction	3
Audit scope and responsibilities	4
Audit of the annual accounts	6
Wider scope and Best Value	10
Reporting arrangements, timetable and audit fee	12
Other matters	15

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Introduction

Purpose of the Annual Audit Plan

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

Appointed auditor and independence

2. We have been appointed by the Accounts Commission as external auditors of the IJB for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

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

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

Audit scope and responsibilities

Scope of the audit

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

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.
- Reporting on the IJB's arrangements for securing Best Value.
- An Annual Audit Report setting out significant matters identified from the audit of the annual accounts and conclusions on the wider scope areas specified in the Code of Audit Practice.

Responsibilities

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

Auditor's responsibilities

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

IJB's responsibilities

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

- Establishing arrangements to ensure the proper conduct of its affairs.

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

Audit of the annual accounts

Introduction

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

Materiality

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

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

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

Exhibit 1

2024/25 Materiality levels for Aberdeen City Integration Joint Board

Materiality	
Materiality – based on an assessment of the needs of users of the financial statements and the nature of IJB’s operations, the benchmark used to determine materiality is gross expenditure based on the expected outturn for 2024/25. Materiality has been set at 2% of the benchmark.	£8.6 million
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 50% of planning materiality.	£4.3 million

Materiality	
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£260,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team’s cumulative knowledge of the IJB, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.
14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are also outlined in Exhibit 2.
15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the IJB and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will evaluate assurances from the external auditors of partner bodies, i.e., Aberdeen City Council and NHS Grampian, which will include: • Evaluating the design and implementation of controls over journal entry processing. • Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Testing journal entries, focusing on those that are assessed as higher risk. • Focused testing of accruals and prepayments to ensure transactions are recorded in the correct financial year. • Evaluating significant transactions outside the normal course of business. • Assessing changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Assessing the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.

Source: Audit Scotland

Key audit matters

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

17. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.

- Significant events or transactions that occurred during the year.

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

Wider scope

Introduction

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

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

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

Significant wider scope risks

21. The risk assessment process has identified significant risks in the wider scope areas as outlined in Exhibit 4, and this also includes the planned audit procedures in response to the risks.

Exhibit 3

Significant wider scope risks

Description of risk	Planned audit response
Financial management There was significant turnover in the Chief Finance Officer (CFO) role during the year and, as a result, the post was vacant for several months until it was filled in December 2024. There were also changes in the partners' finance officers who support the IJB's CFO. While cover was provided, the partners' finance teams experienced increased pressures as a result. Recommendations to support increased scrutiny and accountability of financial performance were included in our Annual Audit Report to the IJB in November 2024. The 2023/24 audit concluded two months later than planned due to additional time required by officers to make agreed revisions to the accounts and adequately respond to queries. There had been gaps in the working papers and audit trails combined with limited action on previous year recommendations. The IJB continues to experience significant increases in the forecast outturn deficit each quarter. During 2024/25, the projected overspend has increased from £0.6 million in Q1, to £10.7 million in Q2 and £16.6 million in Q3. As a result of these factors, we have concluded that significant risk exists in relation to the adequacy and effectiveness of financial management. We acknowledge however, that a CFO has been in post since December 2024 and that a number of improvements have already been made. We will assess the improvements as part of the 2024/25 audit.	The audit team will: • Hold discussions with senior officers about the IJB's financial position. • Review the adequacy of financial information considered by the IJB Senior Leadership Team during the year. • Review and assess the Q4 outturn report. • Review the accuracy and completeness of the IJB's arrangements for estimating year end accruals.
Financial sustainability An overspend of £16.6 million is forecast for 2024/25 of which £6.2 million will be met from reserves. In line with the integration scheme, partners will also provide additional funding of £10 million to cover the remaining shortfall. The 2025/26 budget has identified a funding gap of £25.3 million to be met by £10.9 million additional contributions from partners and planned savings of £14.4 million. Areas requiring review have been identified but significant work is needed including putting new management processes in place which will provide a better structure to achieve the necessary reduction in expenditure. Hard decisions will have to be made as achieving financial balance may mean a reduction in the quality and/or quantity of IJB services.	The audit team will: • Review quarterly financial reports to assess the latest projections and actions being taken to address overspends. • Review delivery of budget savings. • Review impact of financial challenges and decisions made on IJB services. • Assess if financial plans are aligned to IJB's priorities.

Reporting arrangements, timetable and audit fee

Audit outputs

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

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

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

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

Audit timetable

25. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 4](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses.

Exhibit 4

2024/25 audit timetable

Audit activity	IJB target date	Audit team target date	Risk, Audit and Performance Committee date
Issue of Annual Audit Plan	-	31 March 2025	30 April 2025
Annual accounts:			
• Consideration of unaudited annual accounts by those charged with governance	10 June 2025	-	17 June 2025
• Submission of unaudited annual accounts and all working papers to audit team	By 30 June 2025	-	-
• Latest date for audit clearance meeting	9 September 2025	-	-
• Issue of draft Annual Audit Report to officers for comment	-	15 September 2025	-
• Agreement of audited and unsigned annual accounts	23 September 2025	-	-
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report to Risk, Audit and Performance Committee	-	23 September 2025	30 September 2025
• Approval by those charged with governance and signing of audited annual accounts	30 September 2025	-	30 September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report	-	30 September 2025	-

Source: Audit Scotland

Audit fee

26. The IJB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is £39,100 (2023/24 £38,360).

27. In setting the audit fee, it is assumed that the IJB has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Using the work of internal audit

28. The IJB is responsible for establishing an internal audit function as part of an effective system of internal control. Services are provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

29. While internal audit and external audit have differing roles and responsibilities, external auditors may use the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team does not plan to use the work of internal audit with regard to the audit of the IJB's financial statements but will review internal audit's reports and assess the impact of their findings on the audit.

Audit quality

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

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

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior

management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

32. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

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

Aberdeen City Integration Joint Board

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