Grant Thornton

NHS Grampian External Audit Plan

Financial year ending 31 March 2025

Prepared for those Charged with Governance and the Auditor General for Scotland

11 March 2025

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01 Key developments impacting our audit approach

Key developments impacting our audit approach

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in the health sector.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
- We would like to offer a formal meeting with the Chief Executive twice a year as part of our commitment to keep you fully informed on the progress of the audit.
- At appropriate points within the audit, we would also like to meet informally with the Chair of your Audit and Risk Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our wider scope work in relation to financial management and financial sustainability.
- Our wider scope work will also consider your arrangements relating to vision, leadership and governance and use of resources to improve outcomes.
- We hold annual financial reporting workshops for our audit bodies to access the latest technical guidance and interpretation, discuss issues with experts and create networking links with other client to support consistent and accurate financial reporting across the sector.

02 Introduction and Headlines

Introduction and headlines (1)

Purpose

- This document provides an overview of the planned scope and timing of the external audit of NHS Grampian for those charged with governance.
- We are appointed by the Auditor General as the external auditors of NHS Grampian for the five-year period 2022/23 to 2026/27.

Respective responsibilities

- The Code of Audit Practice ('the Code') summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities, and that of the NHS Grampian are summarised in Appendix 1 of this Audit Plan. We draw your attention to this and the Code.

Scope of our Audit

- The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on NHS Grampian's financial statements, which have been prepared by management with the oversight of those charged with governance (the Audit and Risk Committee).

Our audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. As part of our wider scope work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on gaining a thorough understanding of NHS Grampian and is risk based.

Other Audit Matters

We summarise other audit matters for the Audit and Risk Committee's awareness. This includes:

- In accordance with the Code and planning guidance we also complete and submit a number of deliverables during the year, including sharing intelligence with Audit Scotland, and completing Audit Scotland data sets such as the information return for the National Fraud Initiative (NFI) process.
- Consideration of going concern in accordance with Practice Note 10.

Introduction and headlines (2)

The audit plan sets out our risk-based audit approach for NHS Grampian. This plan outlines our initial risk assessment and is reported to those charged with governance (Audit and Risk Committee on behalf of the Board) and will be shared with Audit Scotland.

Group Audit

NHS Grampian is required to prepare group financial statements that consolidate the financial information of:

- NHS Grampian
- Grampian Health Board Endowment Fund
- Aberdeen City Integration Joint Board
- Aberdeenshire Integration Joint Board
- Moray Integration Joint Board

Materiality

We have calculated our planning materiality to be £32.030 million (Group) (PY: £28.856 million and £30.375 million (NHS Grampian) (PY: £27.452 million), which equates to 1.75% (Group) (PY: 1.68%) and 1.66% (PY: 1.6%) (NHS Grampian) of your prior year gross expenditure as per the audited 2023/24 financial statements.

Performance materiality has been determined as £24.022 million (Group) (PY: £20.199 million) and £22.781 million (NHS Grampian) (PY: £19.216 million) and is based on 75% (PY: 70%) of planning materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been capped at £1.000 million for both the Group (PY £1.442 million) and NHS Grampian (PY: £1.372 million).

A lower materiality threshold will of £25,000 will be used on salary and pension (CETV) tables for senior management and board members.

We will revisit our materiality throughout our audit including updating to reflect the draft unaudited financial statements for 2024/25.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls (ISA (UK) 240);
- Risk of fraud in expenditure recognition – non payroll expenditure (completeness) (PN10);
- Valuation of land and buildings (valuation).

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Introduction and headlines (3)

Wider Scope and Best Value Audit

In accordance with the Code, our planning considers the Wider Scope and Best Value areas of audit.

We have identified the following wider scope significant risks and will conclude on these during the audit:

- Financial management – No significant risks identified.
- Financial sustainability – There is a risk that transformation and savings plans to address financial pressures in the medium to longer term are not sufficient to address future funding gaps and increasing deficits.
- Vision, Leadership and Governance - No significant risks identified.
- Use of Resources to Improve Outcomes – We identify a significant risk relating to the delivery and subsequent overrun costs relating to the Baird and Anchor facilities which could impact on operational delivery as well as delivery of planned benefits.

More information relating to the risks identified in relation to wider scope can be found on page 25 of this report.

Audit Fees

Audit fees were shared by Audit Scotland with the Chief Executive and Director of Finance in January 2025. The baseline audit fee set is £264,980. This fee includes:

- External Audit Remuneration £225,670;
- Pooled costs £23,390; and
- Sectoral cap adjustment £15,920.

Audit fees are paid to Audit Scotland who in turn pay Grant Thornton UK LLP. The baseline audit fee has been agreed with the audited body.

There is a change in ISA (UK) 600 that requires some more audit work for 2024/25 and subsequent years. Although the full extent of our procedures are not yet known it is expected the additional time, will be at least £3,740. This would mean the external auditors remuneration would be £229,410 and the baseline fee would be £268,720.

We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

Audit Logistics

Our interim audit work took place in December & January 2025 and our final accounts work will take place in May and June. Our key deliverables are this Audit Plan and the Auditor's Annual Report.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

This Audit Plan was presented to the Audit and Risk Committee on 11 March 2025.

Introduction and headlines (4)

Adding value through the audit

Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials. We use our LEAP audit methodology and data analytics to ensure delivery of a quality audit.

We aim to add value to NHS Grampian through our external audit work by being constructive and forward looking, by attending meetings of the Audit and Risk Committee and by recommending and encouraging good practice. In so doing, we will help NHS Grampian promote improved standards of governance, better management and decision making and more effective use of resources.

We delivered training to the Audit & Risk Committee in September 2024 on the purpose and scope of external audit and provided detailed information on the nature of work we carry out as part of both the financial statements audit and our wider scope responsibilities.

We have also invited members of your financial reporting team to our annual NHS Chief Accountants workshop, which is led by our internal financial reporting technical team.

We also look to bring forward audit testing where possible by performing an interim audit which was delivered in January 2025. Early testing covered property, plant and equipment opening balances, expenditure and payroll for the first eight months of the financial year. This will help provide a smooth and efficient audit process to support delivery for the year end audit.

Group Audit Approach

A revised edition of ISA (UK) 600 applies for the first time to 2024/25 annual audits. This introduces significant changes to the audit of groups including the following:

- A proactive risk-based approach to the audit of groups. This means more focus on identifying and assessing the risks of material misstatement, planning the approach to the audit and performing engagement procedures that respond to the assessed risks.
- Greater focus on the resources needed to perform the engagement, and the direction and supervision of the engagement team and the review of its work
- The definition of ‘engagement team’ includes component auditors.
- The definition of ‘significant components’ has been removed.
- The requirements for robust two-way communication between the group and component auditor have been strengthened.

03 Identified risks

Significant risks identified (1)

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Key aspects of our proposed response to the risk
Fraud in Revenue Recognition	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the NHS Grampian and the Group, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because: • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited due to the majority of revenue received being funding from the Scottish Government. • income from services commissioned from the IJB and other Scottish Boards is well-forecasted and agreed to in funding letters/inter-Board funding agreements, reducing the opportunity for manipulation. • there is a low opportunity to manipulate other income since it is non complex and there are sufficient controls in place to prevent and detect fraud from other income streams, we therefore believe that the risk of material fraud is low. **Therefore, we do not consider this to be a significant risk for NHS Grampian and the Group.**

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (2)

Significant Risk	Description	Key aspects of our proposed response to the risk
Fraud in expenditure recognition	Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". NHS Grampian's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area. We therefore focus our risk on the completeness of following non-payroll expenditure streams: independent primary care services, drugs and medical supplies and other healthcare expenditure. Our testing will include a specific focus on year end cut-off arrangements, including consideration of the existence of accruals and provisions, In relation to non payroll/non finance expenditure for the single entity. We therefore consider this to be a significant risk to our audit however do not consider this to be a key audit matter.	We will: • Evaluate the design and implementation effectiveness of the accounts payable system. • Evaluate the design and implementation effectiveness of your system for recording accruals. • Verify that the operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General Ledger. • Search for unrecorded liabilities by performing a substantive sample test of invoices input on to the accounts payable system post period end. • Search for unrecorded liabilities by reviewing cash payments post period end.

Significant risks identified (3)

Significant risk	Description	Key aspects of our proposed response to the risk
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. We have therefore identified management override of controls, in particular journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.	We will: • Document our understanding of and evaluate the design effectiveness of management's key controls over journals. • Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals. • Test the high risk journals we have identified. • Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness. • Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (4)

Significant risk	Description	Key aspects of our proposed response to the risk
Valuation of land and buildings	In accordance with the HM Treasury Financial Reporting Manual (FReM), subsequent to initial recognition, NHS Grampian is required to hold property, plant and equipment on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value. NHS Grampian appoint the Valuation Office Agency (District Valuer) to undertake a valuations across their asset base, valuing land and buildings on an annual basis. At 31 March 2024, NHS Grampian held property, plant and equipment (PPE) of £845 million, including land and buildings of £504 million. Given the significant value of the land and buildings held by NHS Grampian and the level of complexity and judgement involved in the estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical costs, as a proxy of fair value and therefore less likely to be materially misstated. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to prior year and/or unusual approaches to their valuations, as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will also focus our work on assets that have not been revalued (if there are any) to ensure the carrying value of assets is not materially different to the current value at the year-end date. We therefore consider this to be a significant risk to our audit and a key audit matter.	Our testing will include: • Evaluating management's processes and controls for the calculation of the valuation estimates, the instructions issued to their management experts and the scope of their work. • Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations. • Evaluating the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable. • Challenging the key data and assumptions used by management's experts in the valuation process for these assets. • Testing a selection of other asset revaluations made during the year to ensure they have been input accurately into the entity's asset register, and the revaluations have been correctly reflected in the financial statements. • Evaluating the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. • Reviewing your impairment assessment as to whether there are indicators of impairment for key components of Assets Under Construction (AUC); and if there are indicators of impairment for AUC, we will review your calculation of the potential impact on the carrying value, including any work undertaken by your expert, in line with the requirements of the Accounts Manual and International Accounting Standard 36.

Other matters (1)

Other work

In addition to our expected responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We audit parts of your Remuneration and Staff Report in your Annual Report and check whether these sections have been properly prepared.
- We read the sections of your Annual Report which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in the FReM.
- We issue a separate "consistency with" opinion on your summarisation schedules which confirm whether the schedules are consistent with the audited financial statements.
- We will report on our follow up of prior year audit recommendations within our annual audit report.
- We consider our other duties under the Code and planning guidance (2024/25), as and when required, including:
  - Supporting Audit Scotland in Section 22 reporting
  - Providing regular updates to Audit Scotland to share awareness of current issues
  - Notifying Audit Scotland of any cases of money laundering or fraud
  - Review of NHS Technical guidance prior to issue by Audit Scotland.

Going Concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 was updated in 2020 to take account of revisions to ISAs (UK), including ISA (UK) 570 (Revised September 2019) on going concern.

PN 10 allows auditors to apply a 'continued provision of service approach' when auditing going concern in the public sector, where appropriate. Audit Scotland's also issued further guidance in a Going Concern publication in December 2020).

Within our wider scope work we will conclude on NHS Grampian's arrangements to ensure financial sustainability.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Other matters (2)

Internal control environment

During our initial audit planning we will develop our understanding of your control environment (design) as it relates to the preparation of your financial statements. In particular we will:

- Consider key business processes and related controls
- Assess the design of key controls over all significant risks we have identified. This will include key controls over:
  - Journal entries and other key entity level controls
  - The completeness and accuracy of information provided to your external valuer to perform the valuation of land and buildings assets
  - The review of valuation outputs including key assumptions made by the valuer and significant movements in revalued assets
  - The completeness of accruals and liabilities recorded within the general ledger

Our focus is on design and implementation of controls only. We do not intend to assess or place any reliance on the operating effectiveness of your controls during our audit.

Progress against prior year audit recommendation

As part of our final account's procedures, we will follow up on the implementation of prior year audit recommendations and report on progress against the recommendations in full within our Annual Audit Report.

Interim Testing

As part of our interim procedures, we complete testing on a number of areas when efficient to do so, which will cover the first eight months of the financial year. This will include:

- Property, plant and equipment opening balances
- Drug and medical expenditure testing
- Other operating expenditure testing
- Payroll - starters, leavers and changes in circumstances
- Payroll substantive analytical procedure.

We will also look at the valuation process for land and building assets and bring forward any review of management judgements in this area in advance of our year end audit. This will help provide a smooth and efficient audit process to support delivery for the year end audit.

Financial reporting developments

During our audit we will actively discuss emerging financial reporting developments with you.

Internal Audit

We read and understand the work of Internal Audit during the year, and how this work feeds into management's governance processes and inclusion within the Annual Governance Statement. We do not rely directly upon the work of Internal Audit, and our approach is fully substantive.

04 Our approach to materiality

Our approach to materiality (1)

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgement in the context of our knowledge of the business, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements. We have determined financial statement materiality based on a proportion of the gross operating costs of the Group and NHS Grampian for the financial year. Materiality at the planning stage of our audit is £32.030 million for the Group (Prior Year £28.856 million) and £30.375 million for NHS Grampian (Prior Year £27.452 million), which equates to approximately 1.75% for the Group (Prior Year 1.68%) and 1.66% for NHS Grampian (Prior Year 1.6%) of your 2023/24 gross operating costs less IJB contributions of the Group and NHS Grampian.	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. – assist in establishing the scope of our audit engagement and audit tests. – determine sample sizes. – assist in evaluating the effect of known and likely misstatements in the financial statements.
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to: – instances where greater precision is required (e.g. the Senior Management and Board Member Remuneration and Pension CETV Tables).
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (2)

Matter	Description	Planned audit procedures
04	**Matters we will report to the Audit and Risk Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit and Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of NHS Grampian, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.000 million for the Group (Prior Year £1.442 million) and for NHS Grampian (Prior Year £1.372 million). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality (3)

	Amount (£)	Qualitative factors considered
Materiality for the Group's financial statements	£32.030 million	Our materiality has been set at 1.75% (Group) and 1.66% (NHS Grampian) of prior year gross expenditure as per the 2023/24 financial statements. In setting this threshold, the following factors have been considered: • There were no significant findings in the 2023/24 audit report. • No significant deficiencies have been identified NHS Grampians control environment. • The level of public interest in NHS Grampian by the public and the Scottish Government.
Materiality for the NHS Grampian financial statements	£30.375 million	
Materiality for specific transactions, balances or disclosures – Remuneration Report	£25,000	Due to the sensitivity of the disclosures to the users of the financial statements, a lower materiality threshold has been applied to the salary and pension (CETV) disclosures for senior management and board members. All other remuneration disclosures will be audited at headline materiality.

05 Group Audit

Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
NHS Grampian	Yes	Full scope audit performed by Grant Thornton UK LLP.	Group auditor	Valuation of land and buildings, risk of fraud in expenditure recognition	Grant Thornton UK
Grampian Health Board Endowment Fund	Yes	Specific audit procedures on Investments held at 31 March	Group auditor	Valuation of Investments	Grant Thornton UK
Aberdeen City Integration Joint Board	No	Analytical procedures at group level	Group Auditor	N/A	Audit Scotland
Aberdeenshire Integration Joint Board	No	Analytical procedures at group level	Group Auditor	N/A	Grant Thornton UK
Moray Integration Joint Board	No	Analytical procedures at group level	Group Auditor	N/A	Grant Thornton UK

There were have been no key changes in the group during 2024/25.

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

During the course of our audit engagement, we will continue to assess the appropriateness of our planned approach in relation to the group audit scope.

06 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
General ledger	Financial reporting	• ITGC assessment (design and implementation effectiveness only)
Medicines Management system	Operating Expenditure	• ITGC assessment (design and implementation effectiveness only)
Procurement	Operating Expenditure	• ITGC assessment (design and implementation effectiveness only)
Payroll	Payroll	• ITGC assessment (design and implementation effectiveness only)
Asset Management system	Property, Plant and Equipment	• ITGC assessment (design and implementation effectiveness only)

07 Wider scope and best value arrangements

Wider scope and best value arrangements (1)

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four wider scope areas that constitute the wider scope of public audit in Scotland.

2021 Code of Audit Practice Wider Scope Areas	Meaning
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.
Financial Management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
Vison, Leadership and Governance	Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.
Use of Resources to Improve Outcomes	Bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

The Code also requires that auditors assess and report on audited bodies' performance in meeting their Best Value and community planning duties, as part of their annual audit. For NHS bodies we are required to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations as part of our risk-based wider-scope audit work.

We consider each of these areas through our audit planning process and have set out below the identified areas of risk for our wider scope work.

From our initial planning work, we have identified one significant risk in relation to Financial Sustainability and one significant risk in relation to Use of Resources. We have not identified significant risks in relation to Financial Management and Vision, Leadership and Governance. We will continue to review your arrangements before we issue our Annual Audit Report.

Wider scope and best value arrangements (2)

Risk assessment of NHS Grampian's wider scope arrangements

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work. We will continue to review your arrangements before we issue our Annual Audit Report.

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 planning considerations
Financial Management	G	Appropriate arrangements were in place, with only minor improvement recommendations being made.	No significant risk has been identified.	We reviewed the financial management processes in place at NHS Grampian, including budget setting and preparation of monitoring reports taken to the Board during the year
Financial Sustainability	R	The medium-term financial plan revealed that NHS Grampian's cost base is unsustainable for future operations, based on current funding levels.	Significant risk identified in relation to financial sustainability	We reviewed the financial outturn for 2024/25 where NHS Grampian are projecting a significant in-year deficit. We also reviewed future financial projections, with NHS Grampian needing to make significant savings in future years. The medium-term financial framework 2024-2029 projects a financial gap of £236 million over the medium term.
Use of Resources to Improve Outcomes	A	Recommendations relating to the Baird and ANCHOR capital projects for management to perform a lessons learned review which is presented to the Audit and Risk Committee for scrutiny.	Significant risk relating to the delivery and subsequent overrun costs relating to the Baird and Anchor facilities which could impact on operational delivery as well as delivery of planned benefits.	We reviewed the update papers presented to the Board around Baird and Anchor and confirmed with NHS Grampian staff the next steps in the construction process.
Vison, Leadership and Governance	G	The governance arrangements are effective, with management demonstrating transparency regarding the Board's financial challenges.	No significant risk has been identified.	We reviewed the governance arrangements in place and confirmed they continue to be effective. We also liaised with Internal Audit to confirm the result of their reviews to date and the impact of any issues identified to date.

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

Wider scope and best value arrangements (3)

Financial Sustainability

NHS Grampian submitted their initial 2024/25 Financial Plan to Scottish Government in March 2024. The financial plan projected a deficit in the region of £59 million for 2024/25 after assuming an achievement of savings of £35 million. The Scottish Government have advised that they expect NHS Grampian to take all reasonable steps to achieve a maximum level of overspend of no more than £59 million, with the health board given a brokerage target of £15.3 million (significantly less than the projected overspend).

NHS Grampian presented a detailed financial forecast for 2024/25 to the December 2024 Board meeting. This was based on the actual results up to the end of October 2024. The forecasts show a projected overspend for the year of £73.1 million, comprising an estimated £58.6 million overspend on NHS Grampian non-delegated services plus a £14.5 million projected contribution to overspends on IJB budgets.

Looking forward into 2025/26, the financial projections outline a significant financial challenge for NHS Grampian. Achieving a break-even position will require NHS Grampian to deliver savings of £79.8 million in 2025/26 and £76.8 million in 2026/27. The Health Board consider the achievement of this level of savings to be very high risk. In addition, the Financial Plan for 2024/25 does not assume any repayment of the £24.8 million brokerage that the Board obtained in 2023/24 or any brokerage from 2024/25. Historic outstanding brokerage balances will be re-paid when the NHS Board returns to financial balance.

NHS Grampian have also produced the Medium-Term Financial Framework (MTFF) 2024-2029. The projections in the MTFF suggest that NHS Grampian will not achieve revenue break even by 2028/29, and there is a projected financial gap over the five years of £236 million. This is compounded by an uncertain financial climate where inflation is increasing at record rates and the cost-of-living crises is pushing up costs for all areas of the economy.

In order to combat this, NHS Grampian continue to hold discussions with the Scottish Government to review their longer-term financial plans and agree an approach to return to a position of financial balance. The Health Board also utilise the 15 Box-Grid which sets out areas of focus to aid the financial recovery and have a renewed focus on improving productivity through digital transformation.

Wider scope and best value arrangements (4)

Financial Sustainability (continued)

Consecutive one-year funding settlements create challenges in the health board's ability to plan for the medium to longer term and has weakened one of the key anchor points for strategic planning for the organisation. Furthermore, the changing financial positions of the three Integration Joint Board's adds a further layer of complexity and generally requires the health board to provide extra funding each year to help manage Integration Joint Board deficit positions.

The Health Board faces significant challenges in dealing with future funding gaps where funding is not matched by the Scottish Government. In order to achieve financial sustainability and bridge funding gaps, the Health Board will need to identify and deliver significant savings and transformation in order to reduce funding gaps, deliver a balanced budget and continue to deliver key services and strategic priorities.

Focusing on savings alone will not be enough to bridge future funding gaps and NHS Grampian must continue to liaise with Scottish Government to identify a suitable approach to return to financial balance.

Significant risk identified:

There is a risk that transformation and savings plans to address financial pressures for medium to longer term are not sufficient to address future funding gaps and increasing deficits.

Response to significant risk:

We will:

- seek to understand the future financial forecasts and plans for NHS Grampian for 2025/26 and beyond, including key assumptions used, scenario planning, sensitivity analysis, risk analysis and the extent of funding shortfalls.
- consider the action NHS Grampian is taking to address identified funding gaps and associated savings plans.
- follow-up the prior year recommendations in respect of the financial sustainability risk highlighted last year.

Wider scope and best value arrangements (5)

Financial Management	NHS Grampian has processes in place which detail the responsibilities of Performance Assurance, Finance and Infrastructure Committee (PAFIC) members and senior management for planning and managing the Health Board's finances. These are set out in NHS Grampians Board Assurance Framework. NHS Grampian identifies future cost pressures as part of its initial budget setting process, which involves meetings between budget holders and members of the finance team, on an ongoing basis throughout the year, usually through budget monitoring meetings. We have not identified a significant risk in relation to the NHS Grampian's arrangements for financial management from our initial planning work. We will seek to understand the effectiveness of the NHS Grampian's budgetary control system in communicating accurate and timely financial performance, including the arrangements for identifying, monitoring and reporting of savings. We will consider the overall financial position reached by NHS Grampian during 2024/25 and we will seek to understand the future financial implications of this.
Vision, Leadership and Governance	We have not identified a risk in relation NHS Grampian's arrangements for vision, leadership and governance from our initial planning work. NHS Grampian hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. We will continue to review the arrangements in place prior to issuing our Annual Report. We will review the effectiveness of your scrutiny and governance arrangements, to understand the leadership and decision making processes, and transparent reporting of financial and performance information. Our work will also include reviewing the consistency of your Governance Assurance Statement with the key findings from audit, scrutiny, and inspection.

Wider scope and best value arrangements (6)

Use of Resources to Improve Outcomes

NHS Grampian have a performance assurance framework and have aligned the performance management and assurance process to NHS Grampian's strategy "Plan for the Future" and Delivery Plan. The aim is to provide assurance to the Board that strategic objectives are being delivered. The performance report is presented at Board meetings and has a tiered approach:

- A high-level summary across people, place and pathways with a red, amber or green (RAG) status;
- Performance scorecard provides a summary of key targets;
- Performance spotlights provide a detailed focus on averse or favourable performance indicators. These spotlights include benchmarking to other health boards

Performance has been mixed in recent years, particularly as the health board continue to deal with increased demand pressures. We will consider the arrangements NHS Grampian has in place to meet outcomes and improvement objectives, for working with strategic partners and communities and reporting performance against outcomes, financial and other resources.

The Baird Family Hospital and The ANCHOR Centre Project is a £261.1 million building development at the Foresterhill Health Campus in Aberdeen. Both the Baird Family Hospital – which will provide maternity and neonatal care as well as breast and gynaecology services – and the Anchor Centre were originally due to open in 2020.

A Healthcare Acquired Infection (HAI) focused design review resulted in delays and projected overspends for the project. The design review of the buildings highlighted potential issues that had to be addressed before the sites could go live and be opened.

NHS Grampian are currently working through revised timescales for the opening of these facilities. NHSS Assure requested that final submission of the Construction Key Stage Assurance Review (KSAR) for ANCHOR be completed in December 2024, with the submission for the Baird Family Hospital Construction KSAR completed in January 2025.

The capital investment requirement for the Baird and ANCHOR project is funded by an additional capital allocation agreed by the Scottish Government. The most recent budget forecast of £261.1m previously agreed by the Board remains under pressure as anticipated costs associated with known design changes are determined and instructed. The designs for both buildings are currently being revisited to address concerns highlighted by the project's IPC experts and the findings of the Construction KSAR reports. This process will result in additional costs, however funding arrangements have been agreed in principle by the Scottish Government pending final agreement of the outstanding design matters.

Wider scope and best value arrangements (7)

Use of Resources to Improve Outcomes

The potential opening date for either facility remains uncertain until the outcome of the ongoing design review is known, including an assessment of the feasibility, cost and programme impact of any required changes.

Significant risk identified:

We identify a significant risk relating to the delivery and subsequent overrun costs relating to the Baird and Anchor facilities which could impact on operational delivery as well as delivery of planned benefits.

In response to this significant risk we will:

- Review your arrangements in place to monitor and track delivery of the Baird and ANCHOR capital projects
- Review your arrangements in place to ensure supplier engagement is operating effectively
- Review your arrangements in place to revisit and update planning assumptions and business cases relating to Baird and Anchor capital projects
- We will also seek to understand any inflationary costs for the Baird Family Hospital and Anchor Centre project, including the project funding position.

Wider scope and best value arrangements (8)

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. The duty of Best Value, as set out in the SPFM, is:

- to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance,
- to have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

Guidance for Accountable Officers is structured around the nine characteristics for Best Value in the SPFM, grouping into five themes and two cross-cutting themes as follows:

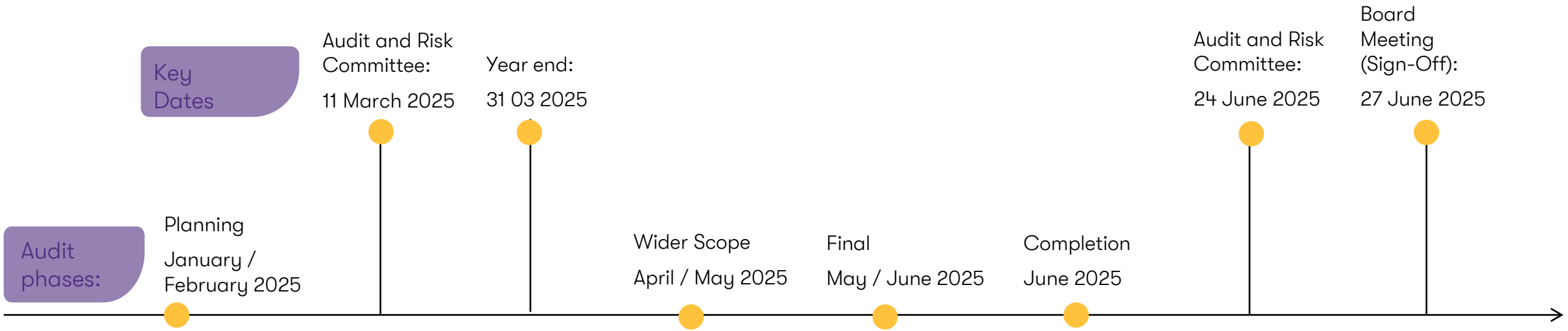
Guidance for Accountable Officers	Scottish Public Finance Manual themes
Vision and Leadership	Commitment and leadership, responsiveness and consultation and sound governance at a strategic and operational level
Effective Partnerships	Joint working, responsiveness and consultation
Governance and Accountability	Responsiveness and consultation, commitment and leadership and accountability
Use of resources	Sound management of resources and use of review and options appraisal
Performance Management	Sound governance at a strategic and operational level, responsiveness and consultation
Equality	Equal opportunities arrangements
Sustainability	A contribution to sustainable development

The Code of Audit Practice requires that auditors assess and report on audited bodies' performance in meeting their Best Value and community planning duties as part of the annual audit. For health boards, we are required to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations as part of our risk-based wider scope audit work.

08 Logistics

The Audit Timeline - Logistics (1)

We are required to submit audit plans to Audit Scotland by 31 March 2025, and it is anticipated that we will submit audited accounts and the Annual Audit Report by 30 June 2025. We have set out below our planned timescales for the NHS Grampian audit:



Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management
- Issue the Audit Plan to management and Audit and Risk Committee
- Review of key judgements and estimates
- Undertake payroll testing (first nine months of starters, leavers, changes in circumstances and payroll substantive analytic)

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit and Risk Committee
- Audit Findings presentation to Audit and Risk Committee
- Annual Audit Report
- Finalise and sign financial statements and audit report

The Audit Timeline - Logistics (2)

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging our other audit engagements. Where additional resources are needed to complete the audit due to an audited body not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. . In addition, delayed audits due to client issues may incur additional audit fees.

Our requirements

To aid the audit process, you need to ensure that you:

- produce draft accounts, comprising financial statements and related reports, of good quality, by the deadline you have agreed with us;
- prepare good quality working papers which support the figures included in the financial statements, in line with the working paper requirements schedule that we have shared with you, and make these available to us at the start of the year end audit visit;
- provide all agreed data reports to us at the start of the audit, which are fully cleansed and reconciled to the figures in the financial statements;
- ensure that all appropriate staff are available to us for queries over the planned period of the audit , or as otherwise agreed, and;
- respond promptly and appropriately to all audit queries, within agreed timescales.

Our team and communications

Angela L Pieri
Engagement Lead
T: 0161 214 6337
E: Angela.L.Pieri@uk.gt.com

- Key contact for senior management and Audit and Risk Committee
- Overall quality assurance

Andrew Wallace
Audit Manager
T: 0141 223 0671
E: Andrew.D.Wallace@uk.gt.com

- Audit team management
- Resource management
- Wider scope and best value reporting

Lucy Bell
Audit In-Charge
T: 0141 659 8512
E: Lucy.X.Bell@uk.gt.com

- Day-to-day point of contact
- Audit planning/interim
- Audit fieldwork

Pool of technical specialists (e.g. internal valuers, IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual audit closure meeting	• The Audit Plan • The Annual Audit Report • Progress and Sector Update Reports	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues (where appropriate)

09 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no matters that we are required to report.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Health Board that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Health Board or investments in the Health Board held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Health Board as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Health Board.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Health Board's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

No non-audit services provided by Grant Thornton UK LLP have been identified. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Report at the conclusion of the audit.

10 Fees and related matters

Audit Fees

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC on audit quality and public sector financial reporting. This includes, for Audit Scotland contracts, meeting the expectations of the Audit Scotland Quality Team and the Scottish quality framework.

Audit fees were shared by Audit Scotland with the Director of Finance in January 2025. Audit fees are paid to Audit Scotland who in turn pay us. We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

Relevant Professional Standards

Audit Scotland set the baseline audit fee. We can increase the fee, from the baseline, for the inclusion of additional risks, new technical matters or specific client matters identified.

We are required to consider all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which state that the Engagement Lead must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

The baseline fee of £264,980 has been set by Audit Scotland. In accordance with Audit Scotland guidance, we are able to discuss a variation to the audit fee where additional work is required. Further detail on the audit fee is available at page 41.

There is a change in ISA (UK) 600 that requires some more audit work for 2024/25 and subsequent years. Although the full extent of our procedures are not yet known it is expected the additional time, will be at least £3,740. This would mean the baseline fee would be £268,620.

We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

Audit Fees (2)

Audit fees for 2024/25

Service	Fees (£)
External Auditor Remuneration	£225,670
Additional audit fee	£3,740
Pooled Costs	£23,390
Contribution to Audit Scotland support costs	Nil
Sectoral cap adjustment	£15,920
2024/25 Fee	**£268,720**

We seek the additional fee to external auditor remuneration due to:

- enhanced audit procedures required due to ISA600 groups which includes considering the significance of audit components and performing additional work on material balances in the group accounts
- follow up of recommendations raised as part of our previous two years' audits of the health board

This would mean the external auditors remuneration would be £229,410 and the baseline fee would be £268,720. The audit fee is being discussed with the Director of Finance.

This Audit Plan was presented to the Audit and Risk Committee on 11 March 2025.

Additional Fees (Non-Audit Services)

Service	Fees (£)
At planning stage we confirm there are no planned non-audit services	Nil

Fee Assumption

In setting the fee for 2024/25 we have assumed that you will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence for all critical and significant judgements and estimates made in preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- Provide ongoing access to officers and management experts throughout the audit and timely responses to audit queries.

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Annual Audit Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Annual Audit Report will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

12 Delivering audit quality

Delivering audit quality (1)

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service.

By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting.

The engagement leader always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality (2)

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

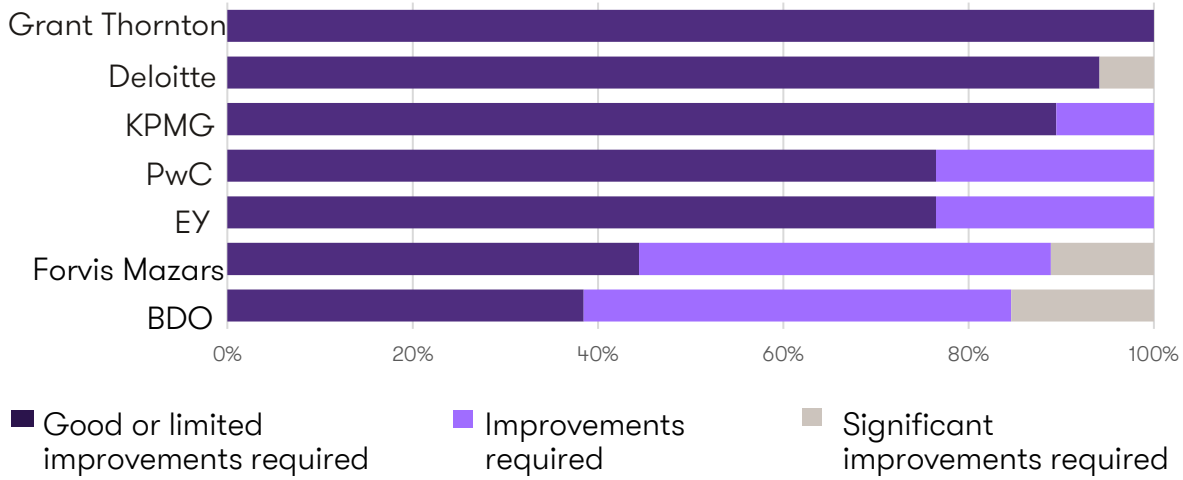
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Delivering audit quality (3)

Audit Quality Framework

The Audit Quality Framework (AQF) published by Audit Scotland sets out it's approach to achieving high quality public audit by all auditors and providers. The AQF is the framework used to provide the Auditor General and the Accounts Commission with robust, objective, and independent quality assurance, over the work conducted on their behalf by Audit Scotland and external firms. This work includes delivering the respective performance audit and Best Value work programmes and the annual audits of public bodies across Scotland's public sector.

Audit quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High-quality public audit provides the public, decision-makers, and politicians, with the assurance and information they need, and it helps Scotland's Parliament hold public bodies to account. This is more important than ever when public services face rising demand and tightening budgets

Annual Audit Quality Report

Audit Scotland's Audit Quality and Appointment (AQA) team prepares an annual Audit Quality Report to provide assurance on audit quality, including compliance with the Financial Reporting Council's Ethical Standard, to the Auditor General for Scotland and the Accounts Commission.

This annual report summarises the AQA's assessment of audit quality conducted on audit work, delivered by Audit Scotland and the six appointed firms (including Grant Thornton UK LLP) on behalf of the Auditor General for Scotland and the Accounts Commission on the 2022/23 audits. The report provides evidence that auditors have designed and implemented audit quality arrangements to assure the quality of their audit work and highlights areas for further improvement.

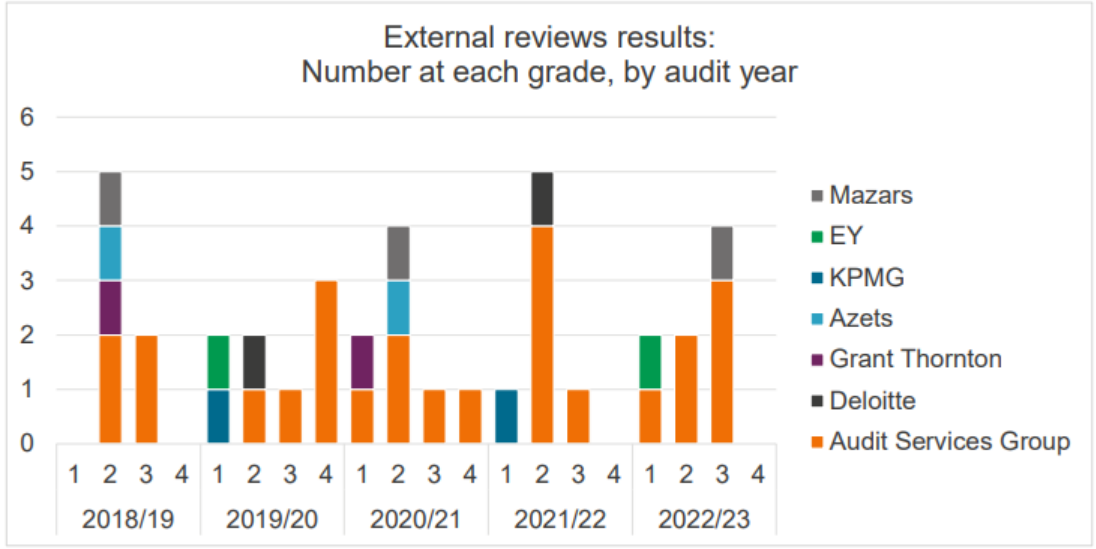
This report is available at Quality of public audit in Scotland: Annual report 2023/24 and is published on annual basis.

Independent External Reviews

Independent external assurance offers the highest level of assurance to stakeholders. ICAEW replaced ICAS for 2021/22 independent reviews following a successful tendering exercise undertaken by Audit Scotland in 2022.

ICAEW review audit files to assess the quality of audit work and compliance with the International Standards on Auditing (UK), Financial Reporting Council's Practice Note 10 and Audit Scotland's Code of Audit Practice.

External reviews cover the firms and Audit Directors in Audit Scotland over a three-year cycle, with the external review results shown within the chart below for the last five financial years.



13 Appendices

Appendix 1 - Respective responsibilities

The Code sets out auditor responsibilities and responsibilities of the audited body. Key responsibilities are summarised below. Please refer to the Code for further detail.

NHS Grampian

Your responsibilities include:

- Maintaining adequate accounting records and working papers
- Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
- Establishing and maintaining a sound system of internal control
- Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
- Maintaining standards of conduct for the prevention and detection of fraud and other irregularities
- Maintaining strong corporate governance arrangements and a financial position that is soundly based
- Establishing and maintaining an effective internal audit function.

External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
- Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
- Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope work
- Providing assurance on specified returns and other outputs (where required), as specified in guidance issued by Audit Scotland
- Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required.
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2024/25).

Appendix 2 - New or revised IFRS

The following IFRS Standards and amendments have been recently issued but have not yet been adopted by the FReM. Although some of the below may not be relevant for the Health Board, they are all added for completeness and understanding of future change.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries. It has been effective in the UK since **1 January 2023**.

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are effective in the UK from **1 January 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are effective in the UK from **1 January 2026**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from **1 January 2027.**

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is effective in the UK from **1 January 2027**.

Appendix 3 - The Grant Thornton Digital Audit – Inflo

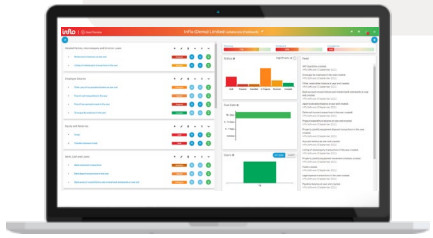
A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

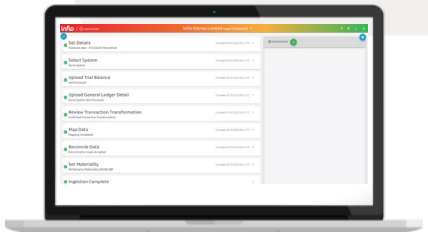
What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



02 Ingest

The general ledger and trial balance are uploaded into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.



03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focused approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement