



# Moray Integration Joint Board External Audit Plan

Financial year ending 31 March 2025

Prepared for those Charged with Governance, the  
Controller of Audit and the Accounts Commission

27 March 2025



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# 01 Key developments impacting our audit approach

# Key developments impacting our audit approach

## Our commitments

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- As a firm, we are absolutely committed to audit quality and financial reporting in the local government 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 Officer twice a year as part of our commitment to keep you fully informed on the progress of the audit.
  - 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.
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# 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 Moray Integration Joint Board (the IJB) for those charged with governance.
- We are appointed by The Accounts Commission as the external auditors of the IJB 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 IJB are summarised in the Appendix 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 the IJB's financial statements, which have been prepared by management with the oversight of those charged with governance (the Audit, Performance and Risk Committee).

Our audit of the financial statements does not relieve management or the IJB Board of your responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of your 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 a thorough understanding of the IJB and is risk based.

## Other Audit Matters

We summarise other audit matters for the IJB Audit, Performance and Risk Committee awareness. This includes:

- Consideration of going concern in accordance with Practice Note 10.
- In accordance with the Code and planning guidance we also required to complete and submit a number of information returns and other deliverables to Audit Scotland during the year.

# Introduction and headlines (2)

The audit plan sets out our risk-based audit approach for the IJB. This plan outlines our initial risk assessment and is reported to those charged with governance (the Audit, Performance and Risk Committee) and will be shared with Audit Scotland.

## 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);

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

## Materiality

We have calculated our planning materiality to be £5.070 million (PY: £3.376 million) for the IJB, which equates to 2.5% (PY: 2%) of your prior year gross expenditure as per the audited accounts. This gives us a PM of £3.802 million (PY: £2.532 million) and is based on 75% (PY: 75%) 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 calculated at 5% of materiality being £0.254 million (PY: £0.169 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.

## 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 risk and will conclude on this during the audit:

- Financial sustainability – future financial plans for 2025/26 and beyond

As part of our integrated wider-scope work, we also use a risk-based approach to assess and report on whether the IJB has made proper arrangements for securing Best Value and is complying with its community planning duties.

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

# Introduction and headlines (3)

## Audit Fees

Audit fees were shared by Audit Scotland with the IJB in January 2025. The baseline audit fee for the IJB is £34,000. This fee includes:

- Auditor remuneration £36,450
- Pooled costs £920
- Contribution to Performance Audit and Best Value costs £7,000
- Sectoral cap adjustment of -£10,370

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.

Due to the significant financial sustainability issues impacting the IJB, we expect to complete additional wider scope work around this key theme. Although the full extent of our procedures are not yet known it is expected the additional time, will be at least £2,500. This would mean the baseline fee would be £36,500.

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

## Other Matters

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

- Consideration of going concern in accordance with Practice Note 10.
- In accordance with the Code and planning guidance we also required to complete and submit a number of information returns and other deliverables to Audit Scotland during the year.

This Audit Plan was presented to the Audit, Performance & Risk Committee on 27 March 2025.



# 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
<b>Management override of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>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.</p> <p>We have therefore identified management override of controls as a significant risk of material misstatement. This relates to the elements involving consolidation, after the information is extracted from partner ledgers, to produce the financial statements for Moray IJB.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Confirm our understanding over the agreement of balances and transactions to the year end submissions from Moray Council and NHS Grampian.</li> <li>• Document our understanding of and evaluate the design effectiveness of management's key controls over journals at the partner authorities;</li> <li>• Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness;</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>



“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
<b>Fraud in Expenditure Recognition</b>	<p>As set out in practice note 10 (Revised 2020) ‘The Audit of Public sector Financial Statements’, issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.</p> <p>The IJB delegates services to Moray Council and NHS Grampian. A budget is agreed by all parties in advance of the financial year. It is up to the Council and the NHS Board to spend the delegated budget, as agreed with the IJB.</p> <p><b>(rebutted)</b></p>	<p>Having considered the risk factors set out in PN 10 and the nature of the expenditure streams at the IJB, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>opportunities to manipulate expenditure recognition are very limited.</li> </ul> <p><b>Therefore, we do not consider this to be a significant risk for IJB</b></p>
<b>Fraud in Revenue Recognition</b>	<p>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.</p> <p><b>(rebutted)</b></p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the IJB, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition; and</li> <li>opportunities to manipulate revenue recognition are very limited.</li> </ul> <p><b>Therefore, we do not consider this to be a significant risk for the IJB.</b></p>

# 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 Report, as required under the Code, and check whether these sections have been properly prepared (opinion). These procedures are performed to a lower materiality.
- We read the sections of your Statement of Accounts which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in Delivering Good Governance in Local Government: Framework (2016) (opinion).
- We consider our other duties under the Code and planning guidance (2024/25), as and when required, including:
  - Supporting Audit Scotland's reporting to the Accounts Commission.
  - Contributing to Audit Scotland Performance Reports and providing regular updates to Audit Scotland to share awareness of current issues.
  - Contributing to the National Fraud Initiative (NFI) report.
  - Notifying the Controller of the Audit when circumstances indicate a statutory report may be required.
  - Completing mandated information requests and returns and notifying Audit Scotland of any cases of money laundering or fraud.
  - Review of Technical guidance prior to issue by Audit Scotland.

## 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.

## Internal control environment

During our initial audit planning we will develop our understanding of your control environment (design and implementation) 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.

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.

# Other matters (2)

## Going concern assessment

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 the IJB's arrangements to ensure financial sustainability.

## 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.

## Financial reporting developments

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

We invited members of your finance team to our LG technical audit workshops earlier this year.

## 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.

## IFRS 16 – Right of Use Assets

In line with the Code of Audit Practice for Local Authority Accounting in the UK, 2024/25 is the first year local government bodies are required to adopt IFRS 16 Leases. Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position.

Integration Joint Board's are unable to hold assets, however we will consider whether the new accounting standard has any relevance to the IJB and whether any associated disclosures are required in the annual accounts.

# 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 expenditure of the IJB for the financial year.

Materiality at the planning stage of our audit is £5.070 million (PY: £3.376 million), which equates to 2.5% of your prior year gross expenditure for the year.

Performance materiality for the IJB has been set at £3.802 million (PY: £2.532 million) which is based upon 75% of materiality.

- 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

### 04 Matters we will report to the Audit, Performance 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, Performance 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.

## Planned audit procedures

- We report to the Audit, Performance and Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.
- In the context of the IJB, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.25+ million (PY: £0.169 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, Performance 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)

	<b>Amount (£)</b>	<b>Qualitative factors considered</b>
Materiality for the IJB's financial statements	£5.070 million	<p>Our materiality has been set at 2.5% of prior year gross expenditure of the IJB as per the 2023/24 financial statements. In setting this threshold, the following factors have been considered:</p> <ul style="list-style-type: none"> <li>• There were no significant findings in the 2023/24 audit report.</li> <li>• No significant deficiencies have been identified with the IJB's control environment.</li> <li>• The level of public interest in the IJB for Scotland by the public and the Scottish Government.</li> </ul>
Materiality for specific transactions, balances or disclosures – Remuneration Report	£25,000	<p>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.</p>



# 05 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
Advance Business Solutions e5 System	Financial Reporting – Moray Council	<ul style="list-style-type: none"> <li>ITGC assessment (design and implementation effectiveness only)</li> </ul>
eFinancials	Financial Reporting – NHS Grampian	<ul style="list-style-type: none"> <li>Review of Service Auditor Reports</li> <li>ITGC assessment (design and implementation effectiveness only)</li> </ul>

# 06 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.
Vision, 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.

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. We have not identified significant risks in relation to Financial Management; Vision, Leadership and Governance; and Use of Resources. We will continue to review your arrangements before we issue our Annual Report.

# Wider scope and best value arrangements (2)

## Risk assessment of the IJB'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 risks has been identified.	We reviewed the financial management processes in place at Moray IJB, including budget setting and preparation of monitoring reports taken to the Board during the year
Financial Sustainability	R	Significant risk identified. The IJB had a significant funding gap over the medium term and minimal reserves in place to manage projected deficits. The Medium-Term plan was also out of date and needed to be refreshed.	Significant risk identified in relation to financial sustainability.	We have confirmed the Medium-Term Financial Strategy will be updated as part of the 2025/26 budget setting process. The IJB are expected to have a significant budget shortfall over the medium term which will need to be addressed through a programme of efficiency savings. For 2024/25, the IJB are predicting a £5.6m overspend which will need to be addressed through additional funding from the partner bodies.
Use of Resources to Improve Outcomes	G	Appropriate arrangements were in place with the Board provided updates on the IJBs performance on an ongoing basis	No significant risk has been identified	We reviewed the 2023/24 Annual Performance Report and quarterly performance reports taken to Audit, Performance & Risk Committee meetings to gain an understanding of the IJB's in year performance.
Vison, Leadership and Governance	A	The governance arrangements are effective; however, several improvement recommendations were made.	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

The draft Revenue Budget for 2024/25 was £200.641 million, which included £14.665 million set aside services, representing Moray's share of the Large Hospital Services. The total funding provided from the partner authorities and Scottish Government was £191.088 million, resulting in a budget gap of £9.553 million. To manage the funding deficit, the IJB identified efficiency savings totalling £8.207 million, resulting in a projected budget deficit of £1.346 million.

The Quarter 2 revenue monitoring report presented to the Board in November 2024 identified that the IJB are projecting a total overspend of £5.580 million for 2024/25. If this deficit cannot be reduced by year end, partner authorities will require to provide additional funding contributions to manage the overspend.

The IJB has a Medium-Term Financial Framework 2023/24 - 2027/28 which has not been subject to update since the 2023/24 budget was agreed and is now considered to be out of date. The funding deficit identified in the MTFF shows a budget gap of approximately £26 million from 2025/26 - 2027/28. The IJB is preparing an updated Medium Term Financial Framework which will be presented to the Board in March 2025, alongside the 2025/26 budget.

### 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:

- will seek to understand the future financial forecasts and plans for the IJB for 2025/26 and beyond, including key assumptions used, scenario planning, sensitivity analysis, risk analysis and the extent of any budget pressures any impact upon reserves
- consider the actions the IJB 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 (4)

## Financial management

Revenue budget monitoring reports are presented to the Board at the end of each quarter and provide clear and concise detail on the financial performance of the IJB. The monitoring reports provide the provisional forecast outturn to the end of the financial year and present detailed explanations around areas of overspend or underspend against budget. The appendices to the report also provide progress towards the achievement of efficiency savings and provide up-to-date forecasts on the level of efficiency savings that are expected to be achieved in the financial year.

At 30 September 2024, the IJB's core services are overspent by £9.530 million, partially offset by a forecast underspend of £3.950 million in Strategic Funds expenditure. This results in a total provision outturn to 31 March 2025 of a £5.580 million overspend. This is a result of an increase in costs due to inflationary and demand pressures, alongside the fact that £3.400 million of savings are at risk of not being achieved in 2024/25.

We will seek to understand the effectiveness of the IJB'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 the IJB and we will seek to understand the future financial implications of this. We will also look to understand how the IJB communicates overspend positions to the partner authorities and the arrangements in place to fund in-year deficits.

We have not identified a risk in relation to the IJB's financial management arrangements at the planning stage. We will revisit the risk assessment as part of our final audit processes.

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## Use of Resources to Improve Outcomes

IJB's 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.

We will review the arrangements that the IJB has developed to address workforce challenges and improve performance. We will also review the processes the IJB 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.

We have not identified a risk in relation to the IJB's use of resources to improve outcomes at the planning stage. We will revisit the risk assessment as part of our final audit processes.



# Wider scope and best value arrangements (5)

## Vision, leadership and governance

The IJB holds a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. The Audit, Performance and Risk Committee undertakes the role of Those Charged with Governance (TCWG) and has several responsibilities including; scrutinising risks included in the risk register, reviewing performance reports presented at committee meetings and reviewing both internal and external audit reports to ensure the effectiveness of internal control procedures.

2023/24 was the third year in succession that Internal Audit provided a limited assurance opinion, indicating that there were weaknesses in the framework of governance, risk management and control. Progress updates on implementation of internal audit recommendations is presented to the Audit, Performance and Risk Committee and we will review arrangements put in place by the IJB in response to the limited assurance opinion and internal audit findings to date.

There has been a period of organisational change at the IJB, with a number of senior management personnel departing the IJB. The IJB have taken steps to address this and appointed Judith Proctor as the Interim Chief Officer in July 2024, with the position being made permanent in November 2024.

We will review the effectiveness of the IJB's scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. Our work will also include reviewing the consistency of the Annual Governance Statement with the key findings from audit, scrutiny, and inspection.

We will review the results of any external inspections undertaken during the audit and report the results of these in our Annual Report. We will continue to review your arrangements before we issue our Annual Report.

We have not identified a risk in relation the IJB's arrangements for vision, leadership and governance at the planning stage. We will revisit the risk assessment as part of our final audit processes.

# Wider scope and best value arrangements (6)

Local government bodies have a duty under the Local Government in Scotland Act 2003 to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the body's functions, having regard to:

- efficiency
- effectiveness
- economy
- the need to meet equal opportunity requirements.

Local government bodies are required to follow statutory guidance in respect of their Best Value duties.

Under the Code of Audit Practice, the audit of Best Value in Integration Joint Boards is fully integrated within the annual wider scope work performed by appointed auditors and their teams. Auditors are not expected to carry out detailed or separate work on the Best Value themes. It is acknowledged that as part of our review of arrangements embedded within our wider scope work, key aspects of the Best Value themes on Governance and Accountability and The Use of Resources will be covered.

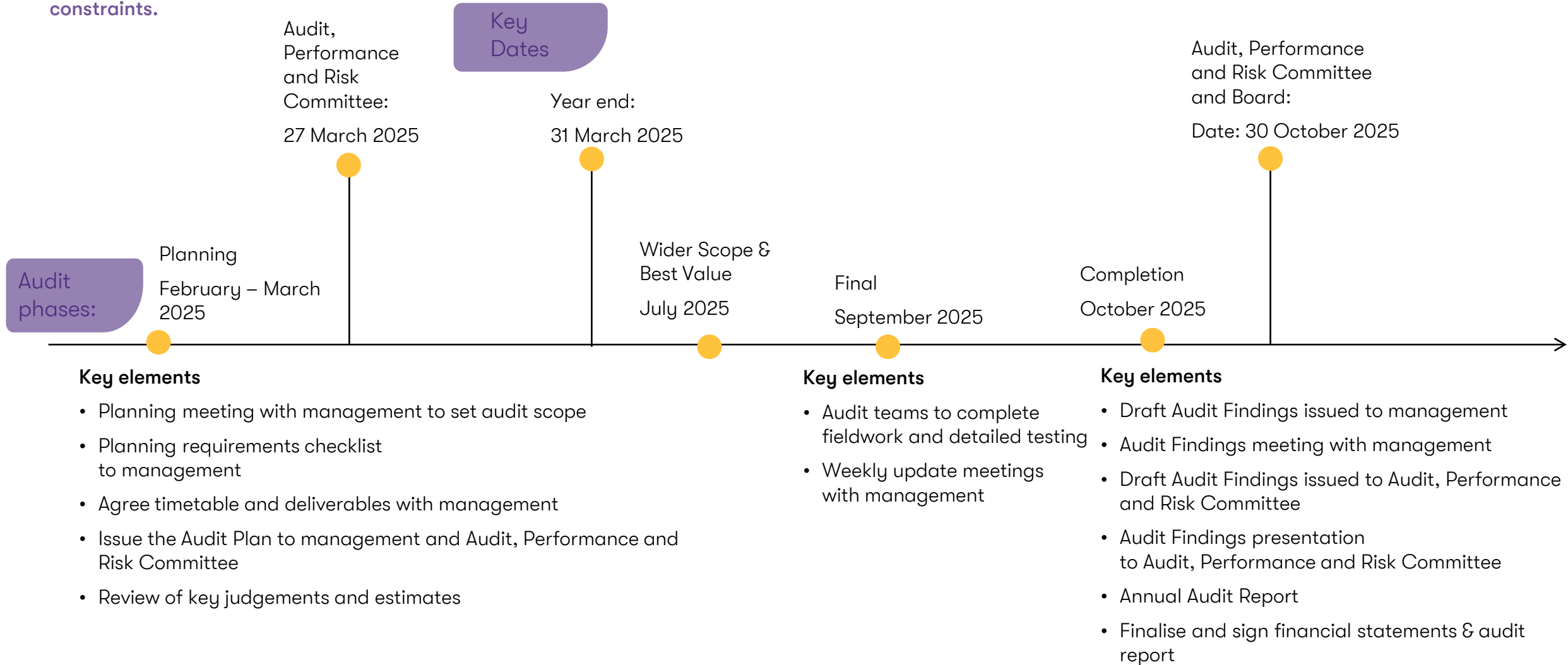
As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value.

We have not identified any significant risks in relation to Moray Integration Joint Board's Best Value arrangements at the planning stage.

# 07 Logistics

# The Audit Timeline - Logistics (1)

We are required to submit audit plans to Audit Scotland by 31 March 2025, and the target date to submit audited accounts and the Annual Audit Report is by 30 September 2025. We have set out below our planned timescales for the IJB audit and it is expected that target timelines will not be met due to audit resourcing constraints.



# 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, Performance 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

## Jasvir Singh

Audit In-Charge

T: 0141 223 0771

E: Jasvir.Singh@uk.gt.com

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

Pool of technical specialists (e.g. IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	<ul style="list-style-type: none"> <li>• Annual audit closure meeting</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Plan</li> <li>• The Annual Audit Report</li> <li>• Progress and Sector Update Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning meetings</li> <li>• Audit clearance meetings</li> <li>• Communication of issues log</li> </ul>	<ul style="list-style-type: none"> <li>• Technical updates</li> </ul>
<b>Informal communications</b>	<ul style="list-style-type: none"> <li>• Open channel for discussion</li> </ul>		<ul style="list-style-type: none"> <li>• Communication of audit issues as they arise</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of up-coming issues (where appropriate)</li> </ul>

# 08 Fees and related matters

# Audit Fees

Across all sectors and firms, the Financial Reporting Council (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 IJB 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 2024) 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 £34,000 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 33.

Due to the significant financial sustainability issues impacting the IJB, we expect to complete additional wider scope work around this key theme. Although the full extent of our procedures are not yet known it is expected the additional time, will be at least £2,500. This would mean the baseline fee would be £36,500.

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)

<b>Audit fees for 2024/25</b>	<b>Fees</b>
<b>Service</b>	<b>(£)</b>
External Auditor Remuneration	£36,450
Additional audit fee	£2,500
Pooled Costs	£920
Contribution to Performance Audit and Best Value	£7,000
Sectoral cap adjustment	-£10,370
<b>2024/25 Fee</b>	<b>£36,500</b>

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

- Significant additional work that is required in the wider scope analysis than would usually be expected. This included a more detailed section on financial sustainability appreciating the significance of savings and budget pressures in 2024/25 and beyond.

This would mean the external auditors remuneration would be £38,950 and the total fee would be £36,500. The audit fee is being discussed with the Chief Finance Officer.

<b>Additional Fees (Non-Audit Services)</b>	<b>Fees</b>
<b>Service</b>	<b>(£)</b>
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.

This Audit Plan was presented to the Audit, Performance & Risk Committee on 27 March 2025.

# 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 IJB 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 IJB or investments in the IJB 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 IJB 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 IJB.
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 IJB'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 **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	●	●
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.

# 11 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

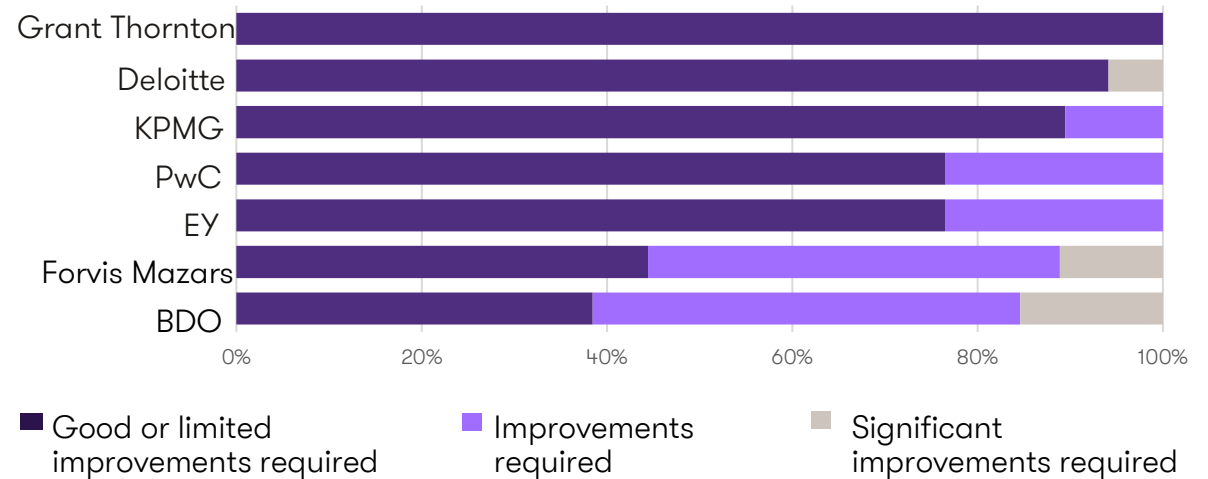
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the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

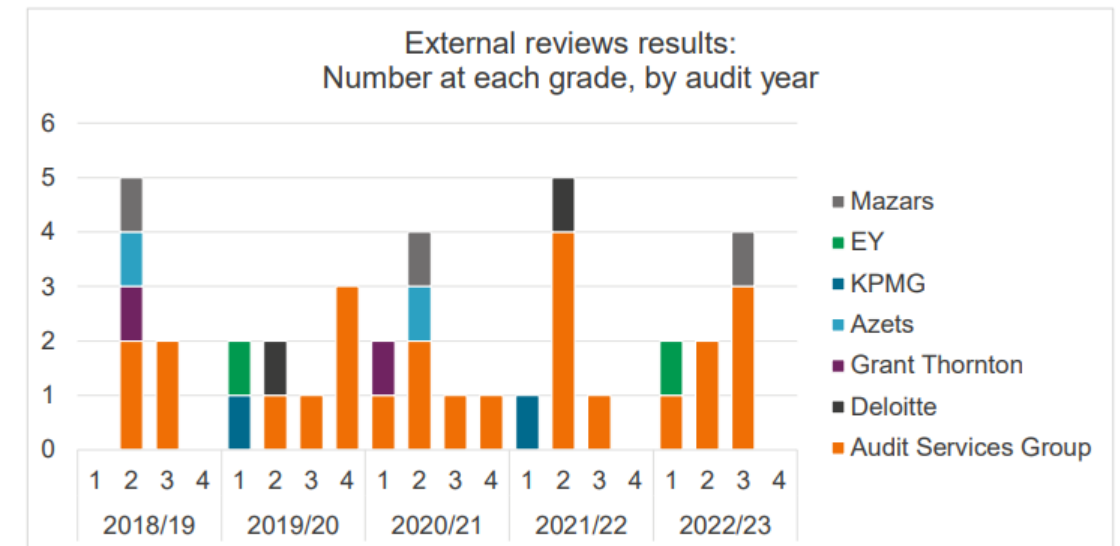
This report is available at [Quality of public audit in Scotland: Annual report 2023/24](#) and is published on annual basis.

## 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.



# 12 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.

## Moray Integration Joint Board

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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

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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 - The Grant Thornton Digital Audit – Inflo

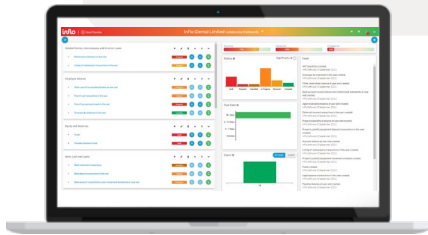
A suite of tools utilised throughout the audit process

## 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.

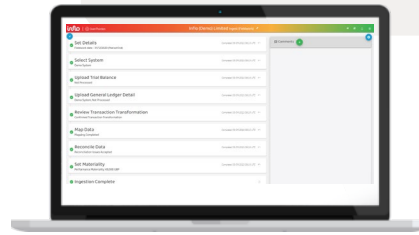
### What you'll see

- 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.

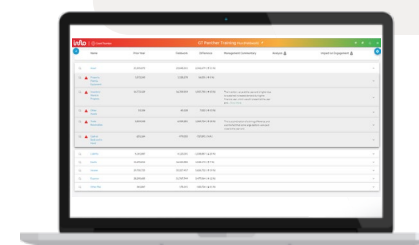


## 03 Detect

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



# Appendix 3 - New or revised IFRS

The following IFRS Standards and amendments have been recently issued but have not yet been adopted by the Code of Audit Practice. Many of the items below will have limited or nil applicability for the IJB but are included for completeness purposes.

## 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**.



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