

Aberdeenshire Integration Joint Board External Audit Plan

For the year ending 31 March 2025

28 March 2025



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01 Key developments impacting our audit approach

Health and Social Care Partnerships

The Aberdeenshire Health and Social Care Partnership (AH&SCP) is overseen by the Integration Joint Board (IJB). The AH&SCP is responsible for managing adult Social Care and Health services in Aberdeenshire.

Key developments in health and social care

In July 2024, Accounts Commission published their '[Integration Joint Boards Finance and performance 2024](#)' report, looking at the challenges being faced by IJBs across Scotland. Key findings noted from the report were as follows:

- IJBs face a complex landscape of unprecedented pressures, challenges and uncertainties. These are not easy to resolve and are worsening, despite a driven and committed workforce. The health inequality gap is widening, there is an increased demand for services and a growing level of unmet and more complex needs.
- There has not been significant evidence of the shift in the balance of care from hospitals to the community intended by the creation of IJBs.
- The workforce is under immense pressure reflecting the wider pressures in the health and social care system. Across the community health and social care sector there are difficulties in recruiting and retaining a skilled workforce.
- The financial outlook for IJBs continues to weaken with indications of more challenging times ahead.

The Accounts Commission's '[Finance bulletin 2023/24](#)', published in March 2025, shows that IJB finances continue to be precarious and there is a concerning picture of continued overspending, depletion of reserves and required savings being met through one-off rather than recurring savings.

We have explored these issues more as part of our wider scope planning work, and our conclusions regarding the risks facing Aberdeenshire IJB can be found on page 21.



Our commitments

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.



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 Aberdeenshire 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 Committee).

Our audit of the financial statements does not relieve management, the IJB Audit committee 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.

Materiality

We have calculated our planning materiality to be £9.560 million (PY: £9.562 million) for the IJB, which equates to 2% (PY: 2%) of your prior year gross expenditure as per the audited accounts. We have set performance materiality at £7.170 million (PY: £7.172 million) which 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 determined to be 5% of materiality being £0.478 million (PY: £0.478 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);

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.

Introduction and headlines (2)

Audit logistics

Our audit planning will take place in Jan – Mar 2025 and our year end audit will take place in Jul – Oct 2025. Our key deliverables are Audit Plan, and 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.

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 this during the audit:

- Financial management – accuracy of budgets and savings plans
- Financial sustainability – medium term financial sustainability
- We have also identified two potential risks relating to the following:
- Financial management – financial capacity

- Use of resources – Care Management System and Aberdeenshire Responders for Care at Home (ARCH)

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

We will follow up on all recommendations made by previous wider scope reporting and our 2023/24 Annual Audit Report.

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 £36,860
- Pooled costs £930
- Contribution to Performance Audit and Best Value cost £7,080
- Sectoral cap adjustment of -£10,870

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 and the number of other risk areas of focus identified in our Audit Plan, we expect to complete additional wider scope work around these key themes. Although the full extent of our procedures are not yet known it is expected the additional fee, will be at least £4,800. This would mean the baseline fee would be £38,800.

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 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.

03 Identified risks

Significant risks (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 Risk	Risk Relates to	Audit team's assessment	Planned audit procedures
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.	We have identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	<p>We will:</p> <ul style="list-style-type: none"> Document our understanding of and evaluate the design effectiveness of management's key controls over the preparation of the financial statements and journals, Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness, Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions, 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.



"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 (2)

Significant Risk	Description	Key aspects of our proposed response to the risk
Fraud in Expenditure Recognition	<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 Aberdeenshire 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>(rebutted)</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 opportunities to manipulate expenditure recognition are very limited.</p> <p>Therefore, we do not consider this to be a significant risk for IJB.</p>
Fraud in Revenue Recognition	<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>(rebutted)</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">• there is little incentive to manipulate revenue recognition; and• opportunities to manipulate revenue recognition are very limited. <p>Therefore, we do not consider this to be a significant risk for the IJB.</p>

04 Other matters

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 Local Government (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.

Other matters (3)

Major Local Audit status

Audits with a gross expenditure exceeding £500 million are classified as Major Local Audits (MLAs). This classification attracts additional work and scrutiny, including a reduction of materiality to a maximum of 2% of gross expenditure and increased testing as a result.

Aberdeenshire IJB's gross expenditure in 2023/24 was £478 million and is therefore approaching this £500 million limit.

A change in status to MLA is likely to incur additional fees.



05 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 for the planning stage of the audit) based on professional judgement in the context of our knowledge of the IJB, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> 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 and 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	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> instances where greater precision is required
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> 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
04	Matters we will report to the Audit 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 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.	<ul style="list-style-type: none"> We report to the Audit 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 £478,000 (PY £478,100). 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 Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality (2)

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.

	2024/25 materiality	2023/24 materiality	Qualitative factors considered
Materiality (M), performance materiality (PM) and triviality (T) for the group and council’s financial statements	M: £9,560,000 PM: £7,170,000 T: £478,000	M: £9,562,000 PM: £7,172,000 T: £ 478,100	<p>Our materiality has been set at 2% 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">• There were no significant findings in the 2023/24 audit report.• No significant deficiencies have been identified with the IJB’s control environment.• The level of public interest in the IJB for Scotland by the public and the Scottish Government. <p>Performance materiality has been set at 75% of materiality, and triviality has been set at 5% of materiality.</p>
Materiality for specific transactions, balances or disclosures – Remuneration disclosures	M: £25,000	M: £25,000	We will apply a lower materiality threshold of £25,000 on review of the Remuneration and Staff report disclosures to ensure that our audit strategy contemplates the public interest vested in the sensitive and influential information stated as part of this report. It is therefore appropriate for this lower level to be applied to ensure greater precision in this area of the accounts.

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)

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
Oracle	Financial Reporting – Aberdeenshire Council	ITGC assessment (design and implementation effectiveness only)
eFinancials	Financial Reporting – NHS Grampian	Review of Service Auditor Reports ITGC assessment (design and implementation effectiveness only)

07 Wider scope and best value

Wider scope risks identified at planning (1)

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



Financial management

The IJB should have sound budgetary processes and should understand the financial environment and whether internal controls are operating effectively.



Financial sustainability

The IJB should be able to meet the needs of the present without compromising the ability of future generations to meet their own needs.



Use of resources to improve outcomes

The IJB 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.



Vision, leadership and governance

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

Our initial planning work has identified two significant risks; one in relation to financial management (accuracy of budgets and savings plans), and one in relation to financial sustainability (the IJB's medium term financial strategy). We have also identified two potential significant risk; one relating to the IJB's financial management (capacity to deliver on savings and transformation) and one relating to the effective use of resources (issues identified in relation to the Care Management System and ARCH). We will continue to review the IJB's arrangements during the year, including follow up of the prior year action plan agreed with management. Should we identify any further significant risks in our wider scope work, these will be reported to those charged with governance, in our Annual Auditors Report.

Wider scope risks identified at planning (2)

We have considered the findings made in the previous year audit when identifying significant risks applicable to the 2024/25 audit and determining appropriate risk-based procedures. This is summarised below.

Wider scope area	2023/24 auditor conclusion	2024/25 risk assessment	2024/25 risk-based procedures
Financial management	<div><div>G</div><div><p>The level of overspend in 2023/24 was significant and the IJB needed to utilise all remaining reserves balances to manage the deficit. The lack of reserve balances moving forward will have a significant impact on the partner authorities, who will need to provide additional funding should the IJB overspend in year.</p><p>Our review of financial monitoring reports during the year did not identify any significant issues.</p><p>We have not identified any issues regarding the skills and capability of finance staff within the organisation.</p><p>Overall, we are satisfied that the IJB have appropriate financial management arrangements in place.</p></div></div>	<p>A significant risk has been identified in relation to the accuracy of the IJB’s financial budgets and savings plans. In addition, we have recognised a potential risk that the IJB may lack the capacity required to deliver the pace and scale of change required to deliver on its financial budgets and savings plans. Please refer to pages 29-30 for more details.</p>	<p>We will consider whether the body has effective arrangements to secure sound financial management.</p> <p>In response to the risks identified, we will:</p> <ul style="list-style-type: none">• Review progress against the 2025/26 savings plans and budget,• Review plans for defining and delivering the efficiency savings,• Review the capacity of officers to deliver the planned savings and transformation.• Assess arrangements for communication of issues with partner bodies

Key:

R

Arrangements in place are not appropriate, recommendations made

A

Appropriate arrangements are in place, but could stand to be improved by recommendations made

G

Appropriate arrangements are in place, no recommendations made

Wider scope risks identified at planning (3)

We have considered the findings made in the previous year audit when identifying significant risks applicable to the 2024/25 audit and determining appropriate risk-based procedures. This is summarised below.

Wider scope area	2023/24 auditor conclusion	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	<div>R</div> <p>The IJB need to find an unprecedented level of savings in 2024/25 in order to balance the budget. The 2024/25 budget contained £7.5 million of unidentified savings when approved by the board. All savings plans should be agreed prior to the start of the financial year, and progress towards achievement of savings monitored throughout the year.</p> <p>The IJB are predicting a significant overspend in 2024/25. This will put further strain on partner authority budgets as there is no reserves balances to help manage the funding gap.</p> <p>Reducing the underlying overspend in future years will be challenging and the IJB have no existing reserves to manage overspends in future years. They will be reliant on additional funding being provided by the partner organisations.</p> <p>To achieve financial sustainability, the IJB will need to identify and deliver significant savings and transformation to reduce funding gaps and continue to deliver key services and IJB priorities. There is a risk that where savings and transformation plans are not delivered, this could provide financial sustainability challenges for the IJB in the short to medium term and impact the reserves of the partner authorities.</p> <p>(continued overleaf...)</p>	<p>A significant risk has been identified in relation to the IJB's medium term financial sustainability – please refer to page 31 for more details.</p>	<p>We will look ahead to consider whether the body is planning effectively to continue to deliver services.</p> <p>In response to the identified significant risk, we will:</p> <ul style="list-style-type: none">• Review the IJB's medium term financial planning and assess the accuracy and achievability of these plan,• Assess the impact of savings on the quality of service delivery and/or provision of services,• Review and assess the IJB's Financial Recovery Plan

Wider scope risks identified at planning (4)

Wider scope area		2023/24 auditor conclusion	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	<p>(...continued)</p> <p>The level of reserves has reduced to £Nil which emphasises the need for saving and transformation plans to be implemented and achieved. Any overspends will require additional funding to be agreed and provided by the partner organisations.</p> <p>To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased income and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.</p> <p>Aberdeenshire IJB are facing several of the issues raised in the Audit Scotland report and are reviewing how they can provide services in a more sustainable manner.</p>		

Wider scope risks identified at planning (5)

Wider scope area	2023/24 auditor conclusion	2024/25 risk assessment	2024/25 risk-based procedures
Use of resources to improve outcomes	<p>G</p> <p>The IJB should ensure it actively engages with its community to understand key areas of focus for setting new priorities in the next iteration of the Strategic Plan.</p> <p>Aberdeenshire faces the challenge of an increasing older population with a decline in working age population, staff recruitment challenges and lack of available affordable accommodation against a backdrop of significant financial challenge. Adult social care is widely publicised as being under pressure in all local government authorities, so this issue is not specific to Aberdeenshire IJB. The IJB will need to ensure that it is able to continue to deliver safe and effective adult services considering the challenging financial background faced alongside a growing aging demographic. This will require wider transformation of the IJB.</p> <p>We have obtained assurance that appropriate performance monitoring and reporting arrangements are in place at the IJB, and where indicators are worsening, the IJB then agree upon actions that need to be taken to improve performance.</p> <p>We have noted good practice in relation to the community stakeholder engagement whereby the IJB ensure stakeholders are engaged in helping form new strategies, which has helped drive IJB priorities for the future.</p>	<p>We have identified a potential risk relating to the IJB's effective use of resources in light of recent internal audit reports relating to the implementation of the new care management system and ARCH – please refer to page 32 for more details.</p>	<p>We will consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.</p> <p>Whilst we recognise that internal audit will themselves be performing follow up work around the findings in their report, and we do not seek to duplicate work, we will:</p> <ul style="list-style-type: none"> • Review the progress against the recommendations made by internal audit, • Review the findings made by internal audit and consider any potential wider application across the IJBs services, • Review the 2024/25 annual performance report, once it is published, and assess the IJB's performance and progress against KPIs and other success measures.

Wider scope risks identified at planning (6)

Wider scope area		2023/24 auditor conclusion	2024/25 risk assessment	2024/25 risk-based procedures
Vision, leadership and governance	A	<p>Our review of attendance of members at Committee meetings has not flagged any issues. We are satisfied that the governance arrangements are appropriate and operate effectively.</p> <p>We conclude that the Audit Committee effectively challenge and scrutinise reports presented and ensure effective decision making.</p> <p>We are satisfied that the key risks have been identified and that the pace of improvement is appropriate to the risks and challenges facing Aberdeenshire IJB.</p> <p>The IJB has in place a wide range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. Our review of these policies have found the policies to be comprehensive, current and promoted within the organisation.</p> <p>The IJB have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls.</p> <p>(continued overleaf...)</p>	We have reviewed the IJB's strategic plans and priorities, and their arrangements for governance as part of our planning work and have not identified any significant risks.	We will consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body, and consider the effectiveness of governance arrangements for delivery, which includes openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Wider scope risks identified at planning (7)

Wider scope area		2023/24 auditor conclusion	2024/25 risk assessment	2024/25 risk-based procedures
Vision, leadership and governance	A	<p>(...continued)</p> <p>The IJB should ensure that the tracker of internal and external audit recommendations is reviewed periodically and reported to each Audit, Risk & Performance Committee meeting.</p> <p>Improvement Plans have been developed/are in development following two external inspections over services delivered by the IJB and its partners. Improvement Plans will be monitored to ensure actions are implemented.</p>		

Wider scope risks identified at planning (8)

We have identified two significant risks in relation to financial sustainability and financial management, and two potential significant risks in relation to financial management and the effective use of resources.



Financial management – accuracy of budgets and savings plans

In 2022/23 the IJB overspent against its budget by £27.9 million. The full £27.9 million was funded from reserves, reducing the reserves balance to £16.9 million. In 2023/24, the IJB overspent against its budget by £28.3 million. Additional funding of £5.8 million and £4.4 million was received from NHSG and the Council, respectively, covering £10.2 million of the overspend, with the remaining £16.9 million drawn down from reserves, reducing the reserves balance to £nil. For 2024/25, as at January 2025, the IJB's forecast overspend position by the end of the year is £25.0 million. If this is the case, this will continue a pattern of overspending by circa £27.0 million per year over the past 3 years.

The 2024/25 revenue budget included £20 million of savings, transformation, efficiencies and additional income to balance the identified shortfall. Of this, £7.5 million related to 'additional savings' which, at the time of budget setting, was unidentified. It has been difficult to find clear communication of progress against these savings being communicated to the IJB.

Management have taken a more prudent approach to setting the 2025/26 budget, by taking the 2024/25 overspend position as the starting point. This presented a shortfall of £36.1 million, which was partially offset by £3.3 million from increasing the cost of chargeable services, £7.8 million of identified savings and a further £7.8 million of general efficiency savings. The remaining £17.2 million is likely to be agreed to be underwritten by the funding partners, as the IJB continues to develop strategies for mitigating the funding gap. However, the level of savings required by the IJB is in excess of any savings achieved in previous years and the challenge of meeting these savings is substantial. That being said, recognising the funding gap early in the budget setting process, allows the partner organisations earlier oversight of the budget pressures being faced.

The [Accounts Commission Integration Joint Boards Finance and Performance Report](#) issued in July 2024, showed that in 2022/23, of the 30 IJBs across Scotland, 19 reported a surplus, 3 reported a breakeven position and 8 reported an overspend. Of the 8 overspent IJBs, Aberdeenshire was the second most overspent as a proportion of net cost of services, exceeded only by Shetland IJB. The [Accounts Commission Integration Joint Boards' Finance Bulletin 2023/24](#) issued in March 2025, shows that by 2023/24 the majority of IJBs were reporting a deficit position, and at that time 6 IJBs were

Wider scope risks identified at planning (9)

Financial management – accuracy of budgets and savings plans (*continued*)

reporting higher deficits as a proportion of net cost of service than Aberdeenshire. However, at the close of 2023/24, Aberdeenshire was the only IJB reporting a £nil reserve position. Whilst we recognise that IJBs as a whole are facing a challenging financial landscape, the lack of any reserves entering 2025/26 and the exceptionally high deficits reported over the past three years places Aberdeenshire IJB in a precarious position.

The pattern of overspends over the past three years raises doubts over management's ability to set a realistic and achievable budget, and the scale of savings required to balance the 2025/26 budget is so substantial that there is a risk that they will not be able to be met.

Therefore, we have assessed the accuracy and deliverability of the budgets and savings plans as a **significant risk**. Our response to this risk is discussed on page 23.

Financial management – financial capacity

The IJB is facing not only financial challenges, but operational challenges as well. In order to achieve the savings required to meet its budget for 2025/26, the IJB will need to transform the way that it operates and make fundamental changes to its service delivery.

In addition, recent internal audits have raised concerns around the implementation of a new care management system and the operation of the Aberdeenshire Responders care at Home (ARCH) system. Addressing the risks and concerns raised in these reports will again be challenging.

Significant support is being provided to the IJB by Aberdeenshire Council staff, to support the work being done. This includes support from the Council's Head of Finance, who is acting as Chief Finance and Business Officer for the IJB. Whilst this support will be of great value to the IJB, it must be recognised that these members of staff are under significant pressure and balancing priorities across the Council and IJB.

Whilst we currently do not have concerns that management lack the financial capability to implement the changes needed and we are aware that the IJB are receiving support from staff at the partner organisations, the scale of the task cannot be overstated. We therefore feel there is a **potential risk** that the IJB lacks the capacity needed to deliver the scale of change required. We will continue to monitor this throughout our fieldwork. Our response to this risk is discussed on page 23.

Wider scope risks identified at planning (10)



Financial sustainability – medium term financial sustainability

In March 2024, the IJB agreed a Medium Term Financial Strategy (MTFS) for the period 2024/25 – 2028/29 which showed a cumulative funding gap of £56.981 million.

As already noted in this Audit Plan on page 29-30, the IJB has faced significant overspends in the past three years and currently had a £nil reserves position. The savings required to balance the 2025/26 budget are in excess of any achieved in past years.

As a result of the financial challenge facing the IJB, a Financial Recovery Plan has been drafted. Whilst this plan does discuss plans over the next 24 months, this discussion is at a high level and does not include any detailed medium term financial planning.

Ordinarily, the MTFS is updated annually to reflect the latest medium term forecasts. However, this has not yet been prepared. Although we have not seen an updated MTFS, it is likely that the cumulative funding gap over the next 5 years will not be an improved position on the £56.981 million funding gap currently identified, it is probable that the funding gap is likely to have widened.

In order to deliver on the savings required by the 2025/26 budget the IJB is starting to cease some services and increase charges on others.

The IJB's funding partners are likely to agree to underwrite £17.2 million of the identified 2025/26 funding gap. However, the reality is that NHS boards and councils face significant financial challenges themselves and IJBs cannot continue to rely on their partners being able to find additional money to support them in the medium term. IJBs need to agree budgets that are realistic and transparent and to have strategies in place to manage in-year risks.

We have therefore concluded that there is a **significant risk** that the IJB will not be able to achieve financial sustainability into the medium term. Our response to this risk is discussed on page 24.

Wider scope risks identified at planning (11)



Use of resources – Care Management System and ARCH

In February 2025 the IJB's internal auditor presented two reports, both rated as major risks with limited assurance. One related to the implementation of the new Care Management System and highlighted delays and poor project management issues. The Second related to the Aberdeenshire Responders Care at Home (ARCH) service and raised issues around poorly defined expectations of what the service's priorities are and what they should be delivering and poor records and KPIs to assess the use of its resources. The report also identified unsustainable overspends on staff costs, with low levels of service-user contact time recorded in timesheets.

Both reports identify 'significant gaps, weaknesses or non-compliance'.

The issues identified indicate that the IJB is not making best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities, and therefore we have identified this as a **potential risk**. Our response to this risk is discussed on page 27.

Best value

Best Value is continuous improvement in the performance of the body's functions, having regard to efficiency, effectiveness, economy and the need to meet equal opportunity requirements.

Best value work

Local government bodies have a duty under the Local Government in Scotland Act 2003 to make arrangements which secure Best Value. The wider scope of core annual audit activity in local government includes the statutory duty of auditors under section 99(1)(c) of the Local Government (Scotland) Act 1973 (the 1973 Act) to be satisfied that bodies have made proper arrangements to secure Best Value. Paragraph 60 of the Code of Audit Practice extends this responsibility to other sectors, and requires auditors to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations.

Our duty to consider the arrangements to secure Best Value extends to IJBs. Our work will be undertaken in a way that is proportionate to the size of the IJB, having due regard for:

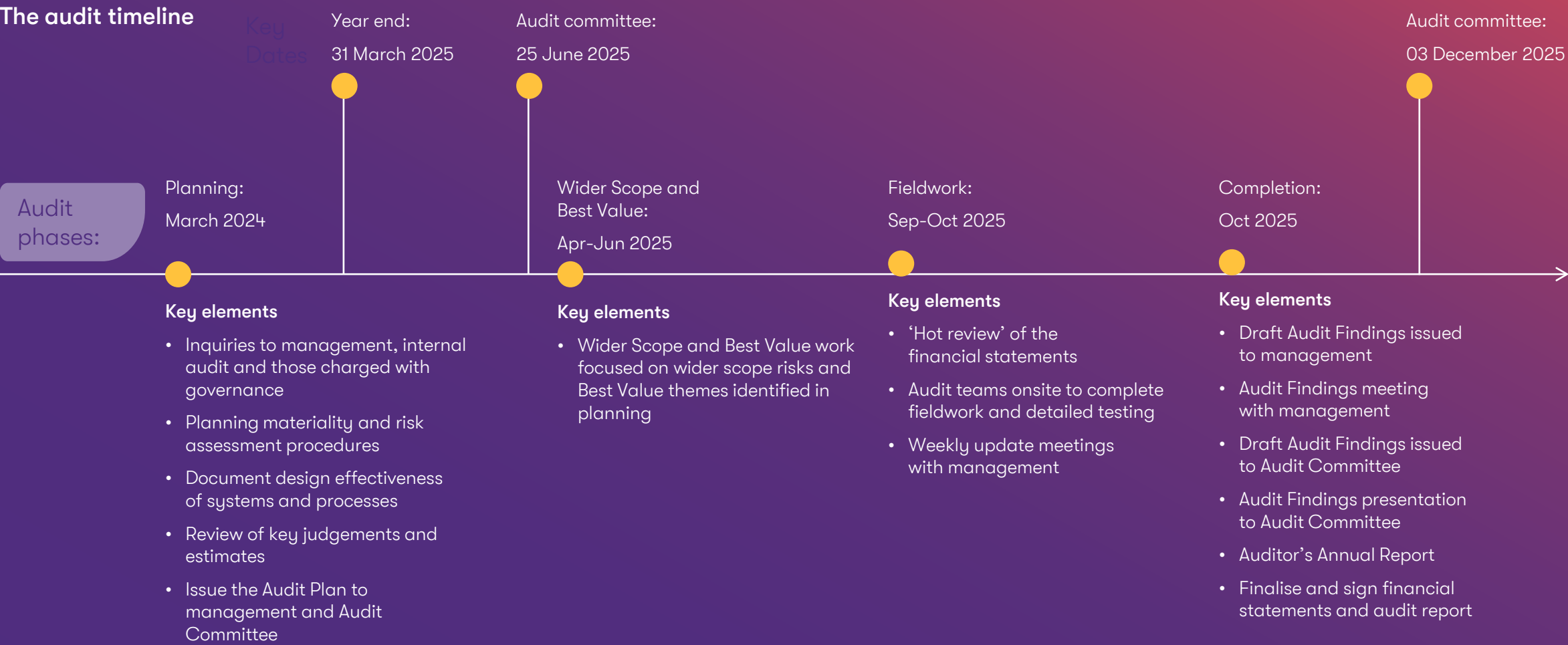
- how the IJB demonstrates that it is meeting its Best Value responsibilities
- how our work undertaken on the wider-scope areas will contribute to our consideration

We will report on the IJB's arrangements for meeting its Best Value responsibilities in our Annual Audit Report. No detailed risk-based audit work against the Best Value themes is required.

08 Logistics

Logistics

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.



Our team and communications

Grant Thornton core team

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

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

Cathy Smith
Audit Manager
T: 0141 223 0657
E: Cathy.Smith@uk.gt.com

- Audit planning
- Resource management
- Performance management reporting

Jasvir Singh
Audit In-charge
T: 0141 223 0771
E: Jasvir.Singh@uk.gt.com

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical specialists – Audit quality specialists, financial reporting technical team, valuations experts.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• Auditor’s Annual Report	<ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

Responsibilities

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

09 Fees and related matters

Audit fees (1)

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 40.

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 £4,800. This would mean the baseline fee would be £38,800.

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)

Service	Final audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
External Auditor Remuneration	£35,380	£36,860
Pooled Costs	£1,290	£930
Contribution to Performance Audit and Best Value	£7,550	£7,080
Sectoral cap adjustment	(£10,860)	(£10,870)
Total core fee	£33,360	£34,000
Additional audit fee	£2,500	£4,800
Total fee with fee variations	£35,860	£38,800

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 auditor's remuneration would be £41,660 and the total fee would be £38,800. The audit fee is being discussed with the Chief Finance Officer.

At this stage we can confirm that there are no planned non-audit services.

Fee Assumptions

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.

Major Local Audit status

Audits with a gross expenditure exceeding £500 million are classified as Major Local Audits (MLAs). This classification attracts additional work and scrutiny, including a reduction of materiality to a maximum of 2% of gross expenditure and increased testing as a result.

Aberdeenshire IJB's gross expenditure in 2023/24 was £478 million and is therefore approaching this £500 million limit.

A change in status to MLA is likely to incur additional fees.

10 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.

Following this consideration, we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

We confirm that for 2023/24, we did not receive any fees for non-audit services. There are no planned non-audit services for 2024/25.

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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 Audit Findings 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.

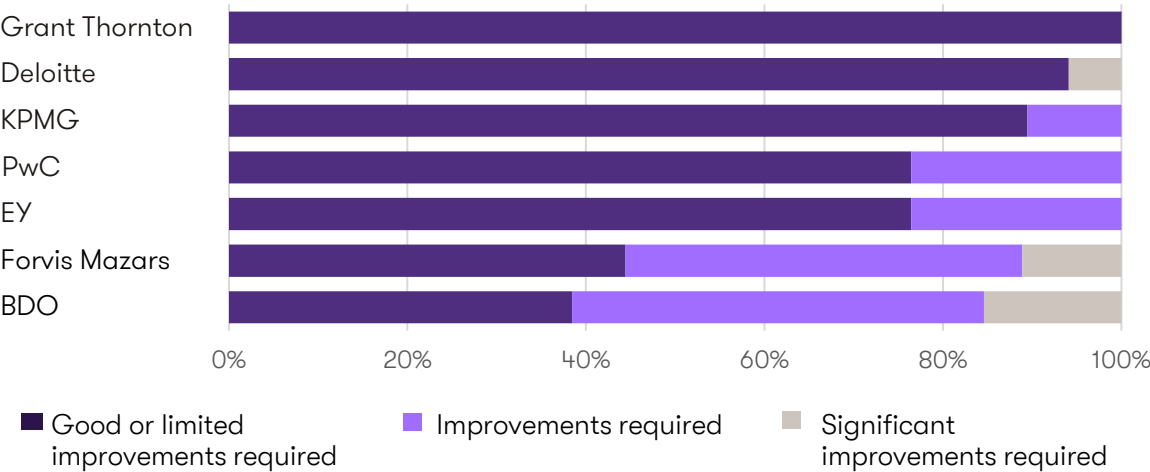
Audit Quality Framework

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.

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.

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)

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.

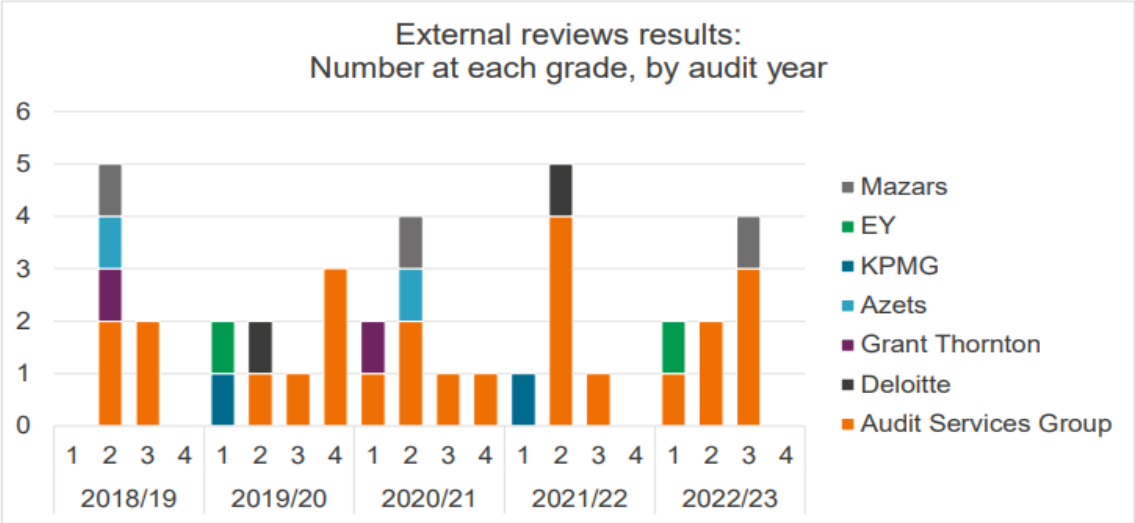
This report is available at [Quality of public audit in Scotland: Annual report 2023/24](#) and is published on annual basis.

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 A – Respective responsibilities



Aberdeenshire Integration Joint Board

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.

Grant Thornton

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 B – The Grant Thornton Digital Audit - Inflo

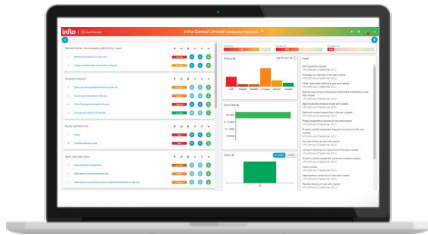
01

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

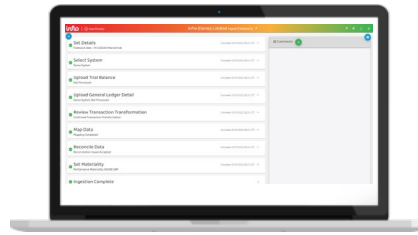
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



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.



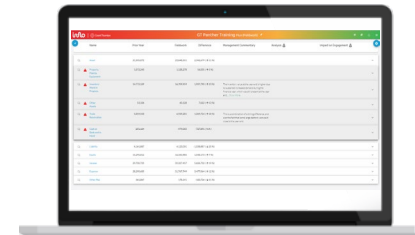
03

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 C – 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 reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

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 expected to be adopted by the Code from **1 April 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 expected to be adopted by the Code **in future years**.

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 expected to be adopted by the Code **in future years**.

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 is expected to be adopted by the CIPFA Code **in future years**.



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