



NHS Grampian External Audit Plan

For the financial year ending 31 March 2026

17 March 2026



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01 Introduction and headlines

Introduction and headlines (1)

Purpose

This document provides an overview of the planned scope and timing of the external audit of NHS Grampian for those charged with governance.

We are appointed by the Auditor General as the external auditors of NHS Grampian for the five-year period 2022/23 to 2026/27.

Respective responsibilities

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

Scope of our Audit

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

The audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities. It is your responsibility to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. As part of our wider scope work, we will consider how you are fulfilling these responsibilities.

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

Significant risks

At planning, in accordance with the ISA's (UK) and Practice Note 10 (Revised 2020) 'The Audit of Public Sector Financial Statements' issued by the Public Audit Forum we have identified the following significant financial statement audit risks:

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

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

Introduction and headlines (2)

Group Audit

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

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

Materiality

We have determined planning materiality to be £38.152 million (PY £33.383 million) for the Group and £36.127 million (PY £31.642 million) for NHS Grampian which equates to 2% (Group) and 1.9% (NHS Grampian) of your prior year gross expenditure (PY: 1.75% (Group) and 1.66% (NHS Grampian)).

Performance materiality has been determined as £28.614 million (Group) (PY: £24.022 million) and £27.163 million (NHS Grampian) (PY: £22.781 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.

As part of our risk assessment, we have considered the impact of unadjusted prior period errors.

Audit logistics

Our interim audit work takes place in January and February 2026 and our fieldwork visit will take place in May and June. Our key deliverables are this Audit Plan, our Auditor's Annual Report and Audit Opinion.

Our fee for the audit is £279,460, subject to NHS Grampian delivering a good set of financial statements and working papers and no significant matters arising during the audit. The fee is set by Audit Scotland and where we can charge additional fees, is covered within that letter, dated 15 January 2026.

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

Introduction and headlines (3)

Wider scope and best value audit

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

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

- During 2024-25 NHS Grampian was escalated to level 4 on the Scottish Government escalation framework. Multiple factors were the cause of the escalation, but included the ability to achieve financial sustainability in the medium/longer-term including delivering significant transformation to achieve savings alongside overall governance and leadership. We will evaluate NHS Grampian's progress in addressing the concerns including a follow up on the Section 22 report. This crosses all four wider scope dimensions.
- Use of Resources to Improve Outcomes – As previously reported, both projects (Baird and ANCHOR) have been subject to a series of delays and escalating costs. We will review how NHS Grampian is ensuring value for money, from the projects, monitoring and managing overspends and evaluating any potential service impact, due to the delay in the projects being completed.

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

02 Significant 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.



“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, related parties and similar areas. Management should also expect to provide 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	Risk relates to	Description	Planned audit procedures
Management override of controls	NHS Grampian and Group	<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, in particular journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.</p>	<p>In addressing this audit risk we will:</p> <ul style="list-style-type: none"> • Document our understanding of and evaluate the design effectiveness of management's key controls over journals; • Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals; • Test the high risk journals we have identified; • Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness; • Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (3)

Significant risk	Risk relates to	Description	Planned audit procedures
Valuation of land and buildings	NHS Grampian	<p>In accordance with the HM Treasury Financial Reporting Manual (FReM), subsequent to initial recognition, NHS Grampian is required to hold property, plant and equipment on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value. NHS Grampian appoint the Valuation Office Agency (District Valuer) to undertake a valuations across their asset base, valuing land and buildings on an annual basis.</p> <p>At 31 March 2025, NHS Grampian held property, plant and equipment (PPE) of £919 million, including land and buildings of £506 million. Given the significant value of the land and buildings held by NHS Grampian and the level of complexity and judgement involved in the estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical costs, as a proxy of fair value and therefore less likely to be materially misstated. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to prior year and/or unusual approaches to their valuations, as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will also focus our work on assets that have not been revalued (if there are any) to ensure the carrying value of assets is not materially different to the current value at the year-end date.</p> <p>We therefore consider this to be a significant risk to our audit and a key audit matter.</p>	<p>In addressing this audit risk we will:</p> <ul style="list-style-type: none"> • Evaluate management’s processes and controls for the calculation of the valuation estimates, the instructions issued to their management experts and the scope of their work. • Evaluate the valuer’s report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable. • Challenge the key data and assumptions used by management’s experts in the valuation process • Test a selection of other asset revaluations made during the year to ensure they have been input accurately into the entity’s asset register, and the revaluations have been correctly reflected in the financial statements. • Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. • Review your impairment assessment as to whether there are indicators of impairment for key components of Assets Under Construction (AUC), including Baird and ANCHOR. If there are indicators of impairment for AUC, we will review your calculation of the potential impact on the carrying value, including any work undertaken by your expert, in line with the requirements of the Accounts Manual and International Accounting Standard 36.

Significant risks identified (4)

Significant risk	Risk relates to	Description	Planned audit procedures
Fraud in expenditure recognition	NHS Grampian	<p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition".</p> <p>NHS Grampian's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.</p> <p>We therefore focus our risk on the completeness of following non-payroll expenditure streams: independent primary care services, drugs and medical supplies and other healthcare expenditure. Our testing will include a specific focus on year end cut-off arrangements, including consideration of the existence of accruals and provisions, in relation to non payroll/non finance expenditure for the single entity.</p> <p>We therefore consider this to be a significant risk to our audit however do not consider this to be a key audit matter.</p>	<p>In addressing this audit risk we will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation effectiveness of the accounts payable system. • Evaluate the design and implementation effectiveness of your system for recording accruals. • Verify that the operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General Ledger. • Search for unrecorded liabilities by performing a substantive sample test of invoices input on to the accounts payable system post period end. • Search for unrecorded liabilities by reviewing cash payments post period end.

Significant risks identified (5)

Significant risk	Risk relates to	Description	Planned audit procedures
Fraud in Revenue Recognition	NHS Grampian and group	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (Rebutted).	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the NHS Grampian and the Group, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited due to the majority of revenue received being funding from the Scottish Government. • income from services commissioned from the IJB and other Scottish Boards is well-forecasted and agreed to in funding letters/inter-Board funding agreements, reducing the opportunity for manipulation. • there is a low opportunity to manipulate other income since it is non complex and there are sufficient controls in place to prevent and detect fraud from other income streams, we therefore believe that the risk of material fraud is low. <p>Therefore, we do not consider this to be a significant risk.</p>

03 Other matters

Other matters (1)

Auditor Responsibilities

We have a number of audit responsibilities as set out in the Code and Planning Guidance 2025/26 issued by Audit Scotland:

- We audit parts of your Remuneration and Staff Report in your Annual Report and check whether these sections have been properly prepared (opinion).
- We read the sections of your Annual Report which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in the FReM (opinion).
- We issue a separate "consistency with" opinion on your summarisation schedules which confirm whether the schedules are consistent with the audited financial statements.
- We consider our other duties under the Code and planning guidance (2025/26), as and when required, including:
 - Supporting Audit Scotland in Section 22 reporting, where relevant.
 - Providing regular updates to Audit Scotland to share awareness of current issues
 - Notifying Audit Scotland of any cases of money laundering or fraud
 - Review of NHS Technical guidance prior to issue by Audit Scotland.

Going concern 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 NHS Grampian's arrangements to ensure financial sustainability.

Other material balances and transactions

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

Other matters (2)

Internal control environment

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

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

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

Progress against prior year audit recommendation

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

Interim Testing

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

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

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

Financial reporting developments

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

Internal Audit

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

04 Materiality

Our approach to materiality (1)

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

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined planning materiality (financial statement materiality) at the planning stage of the audit based on professional judgement in the context of our knowledge of NHS Grampian and its group, including consideration of factors such as public expectations, industry developments, financial stability and reporting requirements for the financial statements. We have determined financial statement materiality based on a proportion of the gross operating costs of NHS Grampian and the group for the financial year.</p>	<p>We determine planning materiality to:</p> <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.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature when it relates to:</p> <ul style="list-style-type: none"> – instances where greater precision is required (e.g.. senior management remuneration and audit fees).
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality on receipt of the draft statement of accounts and 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.</p>



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 (2)

Materiality area	2025/26 planning materiality	Qualitative factors considered
Headline materiality for the financial statements	Group: £38.152 million NHS Grampian: £36.127 million	<p>This is equivalent to approximately 2.0% (Group) and 1.9% (NHS Grampian) of the gross expenditure for the period ended 31 March 2025 (: 1.75% (Group) and 1.66% (NHS Grampian)). In setting this threshold, the following factors have been considered:</p> <ul style="list-style-type: none"> • There were no significant findings in the audit report. • No significant deficiencies have been identified NHS Grampians control environment. • The level of public interest in NHS Grampian by the public and the Scottish Government.
Performance materiality for the financial statements	Group: £28.614 million NHS Grampian: £27.163 million	<p>Performance materiality has been set at 75% (Group and NHS Grampian) of financial statements materiality (: 75% (Group and NHS Grampian)). Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</p>
Reporting threshold	Group: £1.000 million NHS Grampian: £1.000 million	<p>This balance is set at £1.000 million which is 2.6% of materiality (: £1.000 million). All misstatements above this threshold will be reported.</p>
Materiality for the senior management remuneration disclosure	Group: £25,000 Group (PM): £18,750 NHS Grampian: £25,000 NHS Grampian (PM): £18,750	<p>Due to the public interest in senior management remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior management remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.</p> <p>As a lower materiality is determined, we are required to determine a performance materiality (PM) for the Remuneration Report. Lower performance materiality has been set at 75% of Remuneration Report materiality.</p>

05 Group audit

Group audit scope and risk assessment

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

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

There were have been no key changes in the group during 2025/26. During the course of our audit engagement, we will continue to assess the appropriateness of our planned approach in relation to the group audit scope.

Fraud and Litigation

NHS Grampian have notified us of one fraud case which has arisen during 2025/26. We have completed the required fraud return proforma and informed Audit Scotland of the identified fraud case. This was deemed an isolated case. We have not been made aware of any other cases of fraud during our planning procedures performed to date. Should any further factors arise in relation to fraud risk or actual/attempted fraud, we ask that you inform us of this at the earliest possible opportunity.

Involvement in the work of component auditors

We do not intend to use the work of component auditors as part of our 2025/26 audit.

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 system	Audit area	Planned level of IT audit assessment
General ledger	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
Medicines Management system	Operating Expenditure	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
Procurement	Operating Expenditure	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
Payroll	Payroll	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
Asset Management system	Property, Plant and Equipment	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)

07 Wider scope and best value arrangements

Wider scope and best value arrangements (1)

Our responsibilities under the Code of Audit Practice 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

Has the body got sound budgetary process, financial capacity and the control environment and internal controls are operating effectively.



Financial Sustainability

How the body looks forward to the medium and longer term to consider whether the body is planning effectively to deliver its services or the way in which they should be delivered.



Vision, Leadership and Governance

How effective are the body's scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



Use of Resources to Improve Outcomes

How the body makes best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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

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

From our initial planning work, we have identified one significant risk in relation to Financial Sustainability and a three 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 Audit Report.

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

Wider scope and best value arrangements (2)

Risk assessment of NHS Grampian’s wider scope arrangements

The risk assessment process has identified one significant risk and one other risk. These risks are reflected below, and we have confirmed the planned audit procedures to be carried out in response to the risks.

Area	2025/26 risk assessment	2025/26 risk-based procedures planned
Financial Management Financial Sustainability Vison, Leadership and Governance Use of Resources to Improve Outcomes	<p>Significant Risk - Financial Sustainability and escalation to Stage 4 of the NHS Scotland Support and Intervention Framework</p> <p>NHS Grampian’s medium term financial plan for 2025/26 – 2029/30 shows the board’s services are not sustainable. The projected cumulative financial gap over the length of the plan totalled £325 million.</p> <p>NHS Grampian initially projected a £68 million overspend for 2025/26. This resulted in the 2025/26 budget not being approved by Scottish Government, who set a maximum overspend limit of £45 million. NHS Grampian identified a further £23 million of savings, which were approved by the Scottish Government. Based on the most recent financial projections, NHS Grampian are on track to achieve the £45 million limit set; however, the health board will require additional funding to deliver a break-even position for 2025/26.</p> <p>NHS Grampian were escalated to Stage 4 of the NHS Scotland Support and Intervention Framework in May 2025. This was a due to concerns at the Scottish Government around financial sustainability and the deterioration of the Board’s financial position during . Concerns were also raised in relation to Leadership and Governance and the health board’s performance against national priorities and standards. An external diagnostic review was commissioned by the Scottish Government, with results published in October 2025. NHS Grampian are currently responding to the recommendations raised in the review.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the financial outturn for 2025/26. Seek to understand the implication of the £45 million overspend limit on NHS Grampian and the future financial implications of the deficit. Understand the future financial forecasts and plans for NHS Grampian Consider the actions NHS Grampian is taking to address identified funding gaps and any associated savings plans. Review NHS Grampian’s response to the recommendations raised in the external review Review the actions taken to address the concerns raised by regulators.
Use of Resources to Improve Outcomes	<p>Other Risk – Delivery of the Baird and ANCHOR capital project</p> <p>The Baird Family Hospital and The ANCHOR Centre Project is the development of a new cancer centre and maternity hospital in Aberdeen. Following a Healthcare Acquired Infection (HAI) design review, both builds have experienced delays and significant projected overspends. The Board have approved a revised completion strategy for both buildings, however, there continues to remain uncertainty as to whether the revised timescales and cost projections for the project will be met.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the arrangements in place to monitor delivery of project review the arrangements relating to supplier engagement review progress against the prior year external audit recommendations in relation to the project

Wider scope and best value arrangements (3)

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

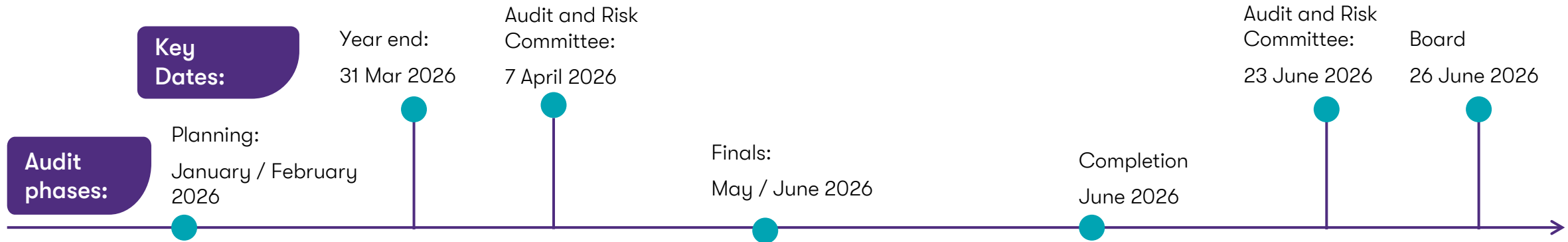
Consideration of the arrangements NHS Grampian has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements NHS Grampian has in place will be reported in the Annual Audit Report.

Auditors may also carry out specific audit work covering the seven Best Value characteristics set out in the SPFM. The risk assessment process did not identify a need to carry out specific audit work on any of the characteristics. However, auditors are required to carry out a review of the 'fairness and equality' characteristic at least once during the audit. This will be completed during the 2026/27 audit.

08 Logistics

Logistics

The audit timeline



Key elements

- Planning meeting with management to set audit scope
- Agree timetable and deliverables with management and Audit and Risk Committee
- Issue the Audit Plan to management and the Audit and Risk Committee
- Document design effectiveness of systems and processes

Key elements

- Audit team to complete fieldwork and detailed testing
- Review of key judgements and estimates
- Feedback on draft financial statements

Key elements

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

Our team and communications

Grant Thornton core team

Joanne Brown (planning)
Angela Pieri (fieldwork & completion)
Engagement Leader

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

Andrew Wallace
Senior Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Matthew Cronin (Planning)
Yashika Goel (fieldwork and completion)
Audit Senior

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

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	Annual client service review	The Audit Plan The Auditor’s Annual Report	Audit planning meetings Audit clearance meetings Communication of issues log	Technical updates
Informal communications	Open channel for discussion		Communication of audit issues as they arise	Notification of up-coming issues

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.

9 Audit fees

Audit fees (1)

Relevant professional standards

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed in ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

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.

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 stipulate that the Engagement Lead (Key Audit Partner) 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.

Audit fees were shared by Audit Scotland with the Director of Finance in January 2026. 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.

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.

The baseline fee of £276,480 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 32.

Due to a change in ISA (UK) 600 – Groups, we are required to carry out additional audit procedures on group components. This work was not factored into our planned audit procedures on being appointed as auditors and as a result, is subject to an additional audit fee. The additional fee for this work is £3,000 and results in an overall baseline fee for the audit of £279,480.

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

Audit Fees (2)

Audit fees for 2025/26

Service	Fees (£)
External Auditor Remuneration	£234,250
Additional audit fee	£3,000
Pooled Costs	£25,630
Contribution to Audit Scotland support costs	Nil
Sectoral cap adjustment	£16,600
2025/26 Fee	£279,480

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

- enhanced audit procedures required due to ISA600 groups which includes considering the significance of audit components and performing additional work on material balances in the group accounts

This would mean the external auditors remuneration would be £237,250 and the baseline fee would be £279,840. The audit fee is being discussed with the Director of Finance.

The Section 22 report issued in November 2025 was outside of the standard audit fee and our Annual Audit Report will include finalised details of the fee involved for that work.

Additional Fees (Non-Audit Services)

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

Fee Assumption

In setting the fee for 2025/26 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 management and management experts throughout the audit and timely responses to audit queries.

10 Independence matters

Independence considerations

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 NHS Grampian 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 NHS Grampian or investments in the NHS Grampian and its Group 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 NHS Grampian 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 NHS Grampian.
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 NHS Grampian'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.

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance (1)

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	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of NHS Grampian's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●

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.

Communication of audit matters with those charged with governance (2)

Our communication plan	Audit Plan	Annual Audit Report
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		●

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 Appendices

New or revised IFRS

New or revised accounting standards that are in effect for reporting periods beginning on or after 1 January 2026.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help investors understand their impact on a company's financial performance and cash flows. The amendments are effective from **1 January 2026**.

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 solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments (e.g. instruments with features linked to environmental social and governance (ESG) targets). The amendments are effective 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**.

B. Responsibilities

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

NHS Grampian

Your responsibilities include:

- Maintaining adequate accounting records and working papers
- Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
- Establishing and maintaining a sound system of internal control
- Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
- Maintaining standards of conduct for the prevention and detection of fraud and

other irregularities

- Maintaining strong corporate governance arrangements and a financial position that is soundly based
- Establishing and maintaining an effective internal audit function.

External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
- Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
- Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope work
- Providing assurance on specified returns and other outputs (where required), as

specified in guidance issued by Audit Scotland

- Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required.
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2025/26).





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