

# Aberdeenshire Integration Joint Board External Audit Plan

**Year ended  
31 March 2024**

03 May 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the organisation or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Introduction

## Purpose

This document provides an overview of the planned scope and timing of the external audit of Aberdeenshire Integration Joint Board for those charged with governance.

We are appointed by The Accounts Commission as the external auditors of Aberdeenshire Integration Joint Board for the five year period 2022/23 to 2026/27.

## Respective responsibilities

Audit Scotland has issued an updated Code of Audit Practice ('the Code') covering this audit appointment period. There are no significant changes in the scope of our work compared to the previous 2016 Code. However, the 2021 Code applies the requirement to communicate key audit matters to all bodies, but requires them to be reported in the Annual Audit Report.

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 Aberdeenshire Integration Joint Board 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 Aberdeenshire Integration Joint Board's financial statements, which have been prepared by management with the oversight of those charged with governance (the Aberdeenshire Integration Joint Board Audit Committee). Our audit of the financial statements does not relieve management or the Aberdeenshire Integration Joint Board Audit Committee 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 and Best Value work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of Aberdeenshire Integration Joint Board and is risk based.



# Plan overview

The audit plan sets out our risk based audit approach for Aberdeenshire Integration Joint Board. This plan outlines our initial risk assessment and is reported to those charged with governance (Aberdeenshire Integration Joint Board Audit Committee) and will be shared with Audit Scotland.

## 01 Materiality

We have calculated our planning materiality using prior year gross expenditure as per audited 2022/23 financial statements as our benchmark, resulting in the following:

- £8.720 million planning materiality is based on 2% of prior year gross expenditure.
- Performance materiality of £6.540 million is based on 75% of planning materiality.
- Trivial of £436,000 is based on 5% of materiality.
- A lower materiality of £25,000 will be used for the auditable elements of the Remuneration Report.
- We will revisit our materiality throughout our audit including updating to reflect the draft unaudited financial statements for 2023/24.

## 02 Financial statement audit

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 risk:

- 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 audits to you in our Annual Audit (ISA 260) Report.

## 03 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:

- Financial sustainability – Future financial plans for 2023/24 and beyond
- Vision, Leadership and Governance - Governance arrangements

# Plan overview (continued(1))

## 04 Other audit matters

We summarise other audit matters for Aberdeenshire Integration Joint Board Audit Committee awareness. This includes:

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

## 05 Our Audit Fee

Audit fees were shared by Audit Scotland with Aberdeenshire Integration Joint Board in January 2024. Our fee agreed with Aberdeenshire Integration Joint Board is £33,360. This fee includes:

- Auditor remuneration of £35,380
- Pooled costs £1,290
- Contribution to Performance Audit and Best Value costs £7,550
- Sectoral cap adjustment -£10,860

Audit fees are paid to Audit Scotland who in turn pay Grant Thornton UK LLP.

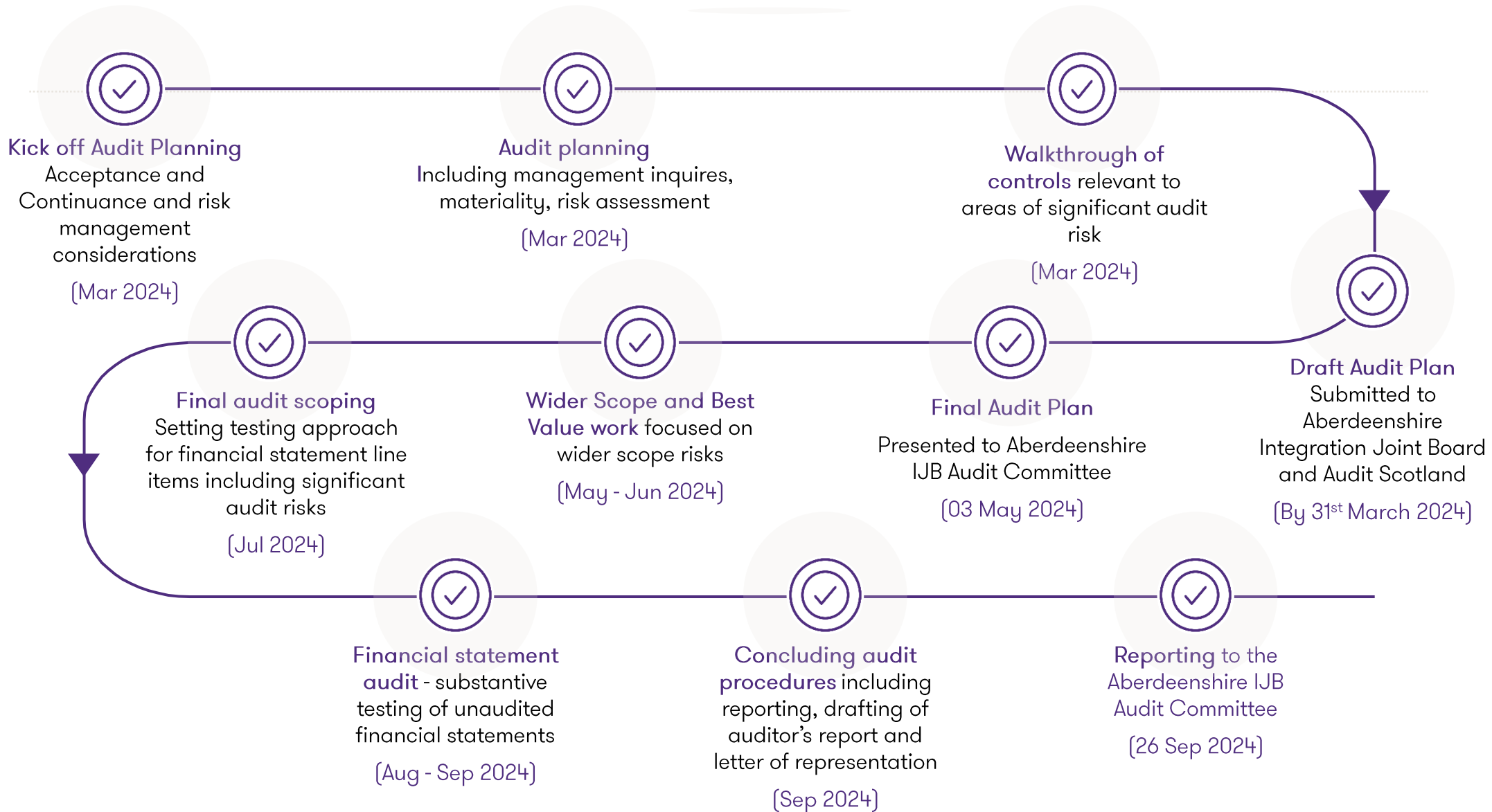
We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

## 06 Adding Value Through the Audit

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

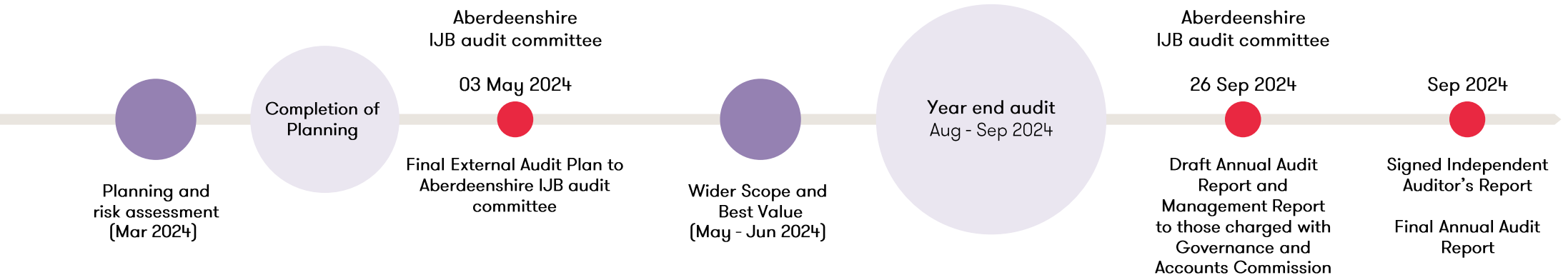
We have also invited members of your financial reporting team to our annual Local Government Chief Accountants workshop, which is led by our internal financial reporting technical team.

# Audit approach



# Audit timeline

We are required to submit audit plans to Audit Scotland by 31 March 2024, and it is anticipated that we will submit audited accounts and the Annual Audit Report by 30 September 2024. We have set out below our planned timescales for the Aberdeenshire Integration Joint Board audit.



## 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 a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

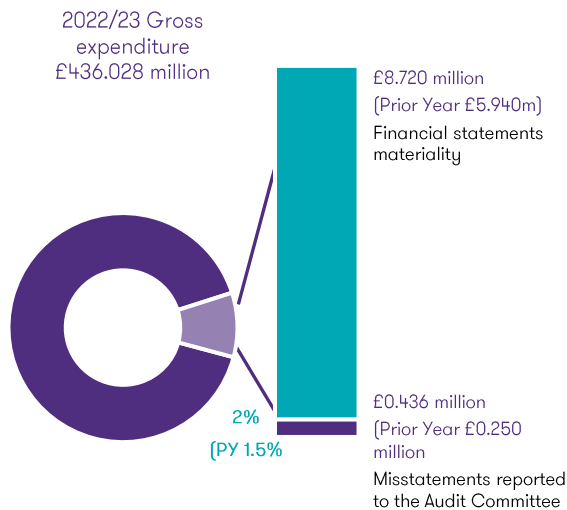
## Our requirements

To minimise the risk of a delayed audit, 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
- respond promptly and appropriately to all audit queries, within agreed timescales.

# Materiality

Financial statement materiality is determined based on a proportion of gross expenditure. We have determined **planning materiality** to be £8.720 million (Prior Year £5.940 million), which equates to approximately 2% of gross expenditure (Prior Year 1.5%) as per the 2022/23 audited financial statements.



**Performance materiality** represents the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. We use this to determine our testing approach to the financial statements. We have set this at 75% of planning materiality (Prior Year 65%), giving a performance materiality of £6.540 million (Prior Year £3.861 million). This is based on our understanding of Aberdeenshire Integration Joint Board and our overall risk assessment procedures.

Materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We apply a separate **lower materiality level of £25,000** to the auditable elements of the Remuneration Report.

Under ISA 260 (UK) ‘Communication with those charged with governance’, we are required by auditing standards to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. We have determined this threshold to be £436,000 which is based on 5% of materiality (Prior Year £250,000) In previous years, clearly trivial required to be capped at £250,000 but the maximum threshold prescribed by Audit Scotland has been removed for 2023/24 audits.

**We will reconsider our materiality based on the unaudited 2023/24 financial statements when received in June 2024. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality.**



# Significant audit risks

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.

## Management Override of Controls (as required by Auditing Standards – ISA (UK) 240)

As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.

We will:

- Document our understanding of and evaluate the design effectiveness of management's key controls over journals;
- Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals;
- Test the high risk journals we have identified;
- Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness;
- Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates.
- Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK) 315)

# Significant audit risks (continued (1))

## Risk of Fraud in Revenue (as required within Auditing Standards– ISA (UK) 240)

As set out in ISA (UK) 240 (Revised May 2021) there is a presumed risk that revenue may be misstated due to improper recognition of revenue in all entities.

Aberdeenshire Integration Joint Board's income consists of partner funding contributions from Aberdeenshire Council and NHS Grampian. The funding (income) is agreed by all parties in advance of the financial year. There is no resultant estimate or judgement in this income stream. Any additional income in year, from either Partner, is agreed with the Integration Joint Board in advance, in accordance with the Integration Joint Board Directions in place.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Aberdeenshire Integration Joint Board, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited.

## Risk of Fraud in Expenditure (as recommended in Practice Note 10)

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.

Aberdeenshire Integration Joint Board 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 Integration Joint Board.

Having considered the risk factor and the nature of expenditure at Aberdeenshire Integration Joint Board, with there being no judgement or estimates in the recognition of expenditure, we have determined that the assumed risk of fraud in expenditure recognition can be rebutted as opportunities to manipulate expenditure recognition are deemed to be limited.

**We will communicate significant findings on these areas, as well as any other significant matters arising from the audit to you, in our Annual Report to those Charged with Governance and the Accounts Commission for Scotland in September 2024.**

# Other matters

## Auditor Responsibilities

We have a number of audit responsibilities as set out in the Code and Planning Guidance 2023/24 issued by Audit Scotland:

- We audit parts of your Remuneration Report, as required under the Code, and check whether these sections have been properly prepared (opinion).
- 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 (2023/24), 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.

## 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 Aberdeenshire Integration Joint Board’s arrangements to ensure financial sustainability.*

# Other matters (continued (1))

## 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 considered as part of our audit. However, the procedures will not be as extensive as the procedures adopted for the significant risks we have identified and highlighted in this Audit Plan.

## 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 material areas of management estimate and judgement.

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.

## Financial reporting developments

We hosted our LG technical audit workshops in February 2024. Individuals from the partner bodies were invited to attend the workshop.

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

## Progress against prior year audit recommendations

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.

# Wider scope risks identified in planning

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four audit dimensions that frame wider scope into identifiable areas. These four dimensions have been slightly amended in the 2021 Code as shown in the table below.

2016 Code	2021 Code
Financial Sustainability	Financial Sustainability
Financial Management	Financial Management
Governance and transparency	Vison, Leadership and Governance
Value for Money	Use of Resources to Improve Outcomes

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

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

## Financial sustainability - Significant risk work area – future financial plans for 2024/25 and beyond

The draft Aberdeenshire Integration Joint Board Revenue Budget for 2024/25 is £435.6 million which includes £34.5 million set aside services which represents Aberdeenshire's share of the Large Hospital Services. The total funding provided totals £415.6 million, resulting in a budget shortfall of £20 million. The budget setting for 2024/25 includes savings plans and efficiencies identified by budget holders which total £12.5 million and reduces the funding gap. However, the Integration Joint Board still require to find further efficiency savings of £7.5 million in 2024/25 in order to achieve financial balance. At the time of this plan, Aberdeenshire Integration Joint Board are currently working on plans for the £7.5m unidentified efficiency savings. The 2024/25 Revenue Budget was reviewed and approved at the 20 March 2024 Aberdeenshire Integration Joint Board meeting.

# Wider scope risks identified in planning (continued (1))

## Financial sustainability (Continued) - Significant risk work area – future financial plans for 2024/25 and beyond

In line with Scottish Government guidance, Aberdeenshire Integration Joint Board has prepared a Medium-Term Financial Strategy (MTFS) covering 2024/25 – 2028/29. The financial pressures for 2024/25 and beyond are significant, with the total funding gap for the period currently projected to be £57 million, meaning the Integration Joint Board will require to deliver an unprecedented level of savings in future years. From 2025/26, the Integration Joint Board will be required to identify approximately £14.25 million of new cash releasing savings each year, equivalent to 3.4% of the total Integration Joint Board budget.

We will seek to understand the future financial forecasts and plans for Aberdeenshire Integration Joint Board for 2024/25 and beyond, including key assumptions used, scenario planning, sensitivity analysis, risk analysis and the extent of any budget pressures any impact upon reserves. We will also consider the action Aberdeenshire Integration Joint Board is taking to address identified funding gaps and associated savings plans.

## Vision, Leadership and Governance – Significant risk work area – governance arrangements

The Aberdeenshire Health and Social Care Partnership (AHSCP) was established in April 2016 following Scottish Government legislation to integrate health and social care services. Aberdeenshire Integration Joint Board hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services.

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

We will follow-up the recommendations made during our previous audit in relation to vision, leadership and governance. These encompassed the implementation of an annual self-evaluation exercise, consideration of whether internal and external audit recommendations are addressed on a timely basis and ensuring that there is oversight of NHS Grampian internal audit reports. We will provide an update on the outcomes of our review in the Annual Audit Report.

# Wider scope risks identified in planning (continued (2))

## Financial management

We have not identified a risk in relation to Aberdeenshire Integration Joint Board's financial management from our initial planning work. Revenue budget monitoring reports are presented to the Board at the end of each quarter and provide clear and concise detail on the financial performance of the Integration Joint Board. At 30 November 2023, the Aberdeenshire Integration Joint Board are forecasting a £16.997 million overspend for 2023/24, equating to 6.0% of the Integration Joint Board budget. Key areas of challenge include inflationary pressures and increased social care costs.

As part of the 2023/24 Revenue Budget, the Integration Joint Board identified efficiency savings of £4.7 million in order to achieve a balanced budget. The monitoring report presented to the January 2024 Board meeting confirmed that these savings were expected to be delivered.

We will seek to understand the effectiveness of Aberdeenshire Integration Joint Board's budgetary control system in communicating accurate and timely financial performance, including the arrangements for identifying, monitoring and reporting of savings. We will consider the overall financial position reached by Aberdeenshire Integration Joint Board and we will seek to understand the future financial implications of this.

## Use of Resources to Improve Outcomes

Integration Joint Board's need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes. We have not identified a risk in relation to Aberdeenshire Integration Joint Board's use of resources to improve outcomes from our initial planning work.

We will review the arrangements that Aberdeenshire Integration Joint Board has developed to address workforce challenges and improve performance, including Aberdeenshire Integration Joint Board has in place to meet outcomes and improvement objectives, for working with strategic partners and communities and reporting performance against outcomes, financial and other resources.



# Wider scope risks identified in planning (continued (3))

## Best Value

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

As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value. We have not identified any significant risks in relation to Aberdeenshire Integration Joint Board's Best Value arrangements at the planning stage.

Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, Board's should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account. The Annual Performance Report is presented to the Board for scrutiny each year. The Integration Joint Board also present quarterly performance monitoring reports which provides members with updates throughout the financial year.

In the prior year audit, we raised an audit recommendation for the Integration Joint Board to implement an annual self-evaluation for the relevant Committees. The Integration Joint Board confirmed that an annual self-evaluation review would be implemented for the Integration Joint Board and the Integration Joint Board Audit Committee, with the results to be reported to the relevant committees with a plan to assist continuous improvement and succession planning. We will review the self-evaluations during our audit and report progress in the Annual Audit Report.



# Audit Fees

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

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

Audit fees were shared by Audit Scotland with Aberdeenshire Integration Joint Board in January 2024. Our proposed audit fee was agreed with the Chief Financial Officer and will be presented to the Audit Committee on 3 May 2024. 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.

## Fee assumptions

In setting the fee for 2023/24 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.

## Relevant professional standards

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

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

## Audit fees for 2023/24

Service	Fees £
External Auditor Remuneration	£35,380
Pooled costs	£1,290
Contribution to Performance Audit and Best Value	£7,550
Sectoral cap adjustment	-£10,860
<b>2023/24 Fee</b>	<b>£33,360</b>

At the planning stage, we confirm there are no planned non-audit services.

# Adding value through the audit

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

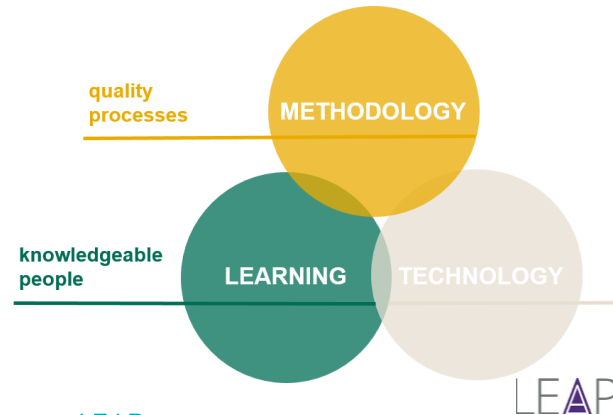
Our audit methodology is risk based and includes developing a good understanding of **Aberdeenshire Integration Joint Board**. The diagram opposite summarises how our methodology and use of data adds value to our audit.

We comply with UK Auditing Standards and as a Firm we are regulated by the FRC. We take findings on audit quality seriously and continue to invest through our Audit Investment Plan, which is supported by a specific national Public Sector Investment Plan.

We comply with Audit Scotland's quality arrangements, including submitting an Annual Quality Report on our Audit Scotland portfolio. Audit Scotland's quality report for 2021/22 can be found on the [Audit Scotland website](#).

Our wider quality arrangements are set out in our annual transparency reports which are available on our website here: [Annual report 2021](#).

## Use of audit, data interrogation and analytics software



### LEAP

- A globally developed ISA-aligned methodology that re-engineers our audit approach to focus on quality and effectiveness
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- The LEAP approach allows us to tailor the audit programme to help engagement teams respond quickly to any changes as they occur, keeping quality high through responsiveness and flexibility.

### Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST AND SHARE

- Communicate and transfer documents securely; Extract data directly from client systems; Work flow assignment and progress monitoring



#### ASSESS AND SCOPE

- Compare balances and visualise trends; Understand trends and perform more granular risk assessment



#### VERIFY AND REVIEW

- Automate sampling; Download automated work papers



#### INTERROGATE AND EVALUATE

- Analyse 100% of transactions quickly and easily; Identify high risk transactions for investigation and testing; Provide client reports and relevant benchmarking KPIs



#### FOCUS AND ASSURE

- Visualise relationships impacting core business cycles; Analyse 100% of transactions to focus audit on unusual items; Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports

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# Independence

## Auditor independence

Ethical Standards and ISA (UK) 260 'Communication with Those Charged With Governance' require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the Firm, or covered persons, relating to our independence.

We encourage you to contact us to discuss any independence issues, with us and will discuss the matter with you if we make any significant judgements surrounding independence matters.

**We confirm that there are no significant facts or matters that impact on our independence as auditors of Aberdeenshire Integration Joint Board that we are required to report or wish to draw to your attention.**

We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) 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

We confirm that we have implemented policies and procedures to meet the requirements of the 2019 Ethical Standard.

Our team complete annual fit and proper declarations, including independence confirmations, as well as confirming independence from individual audited bodies when completing timesheets. The work of our Ethics team is overseen by our Ethics partner and all staff undergo regular ethics training each year.

**We confirm we are independent of Aberdeenshire Integration Joint Board.**

## Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. We did not provide any non-audit or additional services to Aberdeenshire Integration Joint Board prior to our appointment as auditors.



# 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.

## 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.

## 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 and Best Value 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
- Notifying Audit Scotland of any known or suspected frauds greater than £5,000
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2023/24).



# Communication

ISA (UK) 260 'Communication with Those Charged With Governance', as well as other ISAs set out prescribed matters which we are required to report to those charged with governance (the Aberdeenshire Integration Joint Board Audit Committee). Our reporting responsibilities are set out below. We communicate all matters affecting the audit on a timely basis, to management and/or the Aberdeenshire Integration Joint Board Audit Committee.

## Our communication plan

	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
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 Aberdeenshire JJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues 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		•
Expected modifications to the auditor's report or emphasis of matter		•

# Fraud responsibilities

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' came into force for accounting periods commencing on or after 15 December 2021. Requirements in ISA (UK) 240 (Revised May 2021) have been enhanced for the identification and assessment of risks of material misstatement due to fraud and the response to those risks.

**The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at Aberdeenshire Integration Joint Board.**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is Aberdeenshire Integration Joint Board's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

As auditors, we are required to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

As part of our risk assessment procedures we are required to:

- identify and assess the risks of material misstatement in the financial statements due to fraud, including financial misreporting and misappropriation of assets.
- hold separate discussions with management, those charged with governance and others (as appropriate) to gain insights on their views of fraud.



# Fraud responsibilities (continued)

During our audit work we will:

- design and implement appropriate audit procedures to respond to the risks of misstatement we have identified and reported in this Audit Plan
- remain alert to new risks and amend our risk assessments accordingly
- respond appropriately to any risks identified.

Throughout the audit we work with you to consider the significant risks we identify, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control. We will report to you any significant deficiencies we identify.

In addition, as set out in the Audit Scotland Planning Guidance 2023/24 ,we are required to:

- provide information on fraud cases to Audit Scotland on a quarterly basis
- communicate emerging issues to Audit Scotland, and
- contribute to the National Fraud Initiative report.

## Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the Audit Scotland Planning Guidance for 2023/24) to inform the National Crime Agency if he knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at Aberdeenshire Integration Joint Board we will report to the Accounts Commission as required by Audit Scotland.



# IT audit strategy

ISA (UK) 315 (Revised July 2020): Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and its Environment' came into force for accounting periods commencing on or after 15 December 2021.

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle (on premises)	Financial Reporting – Aberdeenshire Council	A detailed review of the IT General Controls related to security management, development and maintenance and technology infrastructure will be carried out by our internal IT specialists team for the 2023/24 financial year on these in scope systems. We will look to gain assurance on the work performed in year in relation to the design effectiveness and implementation of IT General Controls for the current financial year and update our understanding of any changes in the system since the prior financial year. We will review any changes identified in key controls from the prior year and assess the impact of any changes on the planned audit approach.
eFinancials	Financial Reporting – NHS Grampian	<ul style="list-style-type: none"> <li>• Review of Service Auditor Reports</li> <li>• ITGC Assessment (as above)</li> </ul>

During our audit we will complete an assessment of the design and implementation of relevant ITGCs

# Future auditing developments

There are changes to the following ISAs (UK) which will impact on our LG audits for the first time in future years.

Revised standards applicable for audits of financial statement for periods commencing on or after 15 December 2022:

- ISQM (UK) 2 (Issued July 2021) 'Engagement Quality Reviews'
- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

Revised standards applicable for audits of financial statement for periods commencing on or after 15 December 2023.

- ISA (UK) 600 (Revised September 2022) 'Special Considerations- Audits of Group Financial Statements (including the work of component auditors)' - Applicable for audits of financial statement for periods commencing on or after 15 December 2023.
- IFRS 16 Lease will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. Aberdeenshire Integration Joint Board will need to assess if the standard has any relevance for them.

A summary of the impact of the key changes on various aspects of the audit is included on the next slides.

# Future auditing developments (continued (1))

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Quality control	<ul style="list-style-type: none"> <li>ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer (EQR) and the EQRs responsibilities relating to the performance and documentation of an engagement quality review.</li> <li>The objective of the firm, through appointing an EQR, is to perform an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon.</li> <li>The objective of the auditor is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that the audit complies with professional standards and applicable legal and regulatory requirements; and the auditor's report issued is appropriate in the circumstances.</li> </ul>
Direction, supervision and review of the engagement	<ul style="list-style-type: none"> <li>Greater responsibilities, audit procedures and actions are assigned directly to the engagement lead, resulting in increased involvement in the performance and review of audit procedures.</li> </ul>
Definition of engagement team	<ul style="list-style-type: none"> <li>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The group auditor is required to determine the nature, timing and extent of involvement of component auditors in any group audit.</li> <li>Component auditors may increasingly be involved in all phases of the group audit. The group auditor should be sufficiently and appropriately involved in the work of component auditors throughout the group audit, including communicating clearly about the scope and timing of their work, and evaluating the results of that work.</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>The amendment to these auditing standards will result in additional documentation requirements to demonstrate how these requirements of these revised standards have been addressed.</li> </ul>

# Future auditing developments (continued (2))

## IFRS 16 Leases

Following further deferral of IFRS 16 Leases in Local Government, this accounting standard is now mandated for implementation by local government bodies from 1 April 2024 (although earlier adoption is permitted).

The new standard brings significant changes for lessee accounting. Key points that Aberdeenshire Integration Joint Board will need to consider on transition include:

- The need to recognise the cumulative effects of initially applying IFRS 16 on the date of implementation as an adjustment to the opening balances of taxpayers' equity. (This means prior year comparators will not need to be restated).
- The need to recognise the right-of-use asset for leases previously classified as operating leases at an amount equal to the outstanding lease liability.
- No adjustments are needed for leases for which the underlying asset is of low value (less than £5,000 new) or where the lease term ends within 12 months.
- Assets where there is no or a below market rate peppercorn lease premium should be recognised as a right-of-use asset measured at current value in existing use or fair value as appropriate. Any difference between this and the lease liability will be recognised as part of the adjustment to the opening balances of taxpayers' equity.

- Irrecoverable VAT should not be included in the lease liability nor the value of the right of use asset.
- Existing finance lease and PFI liabilities that have an element based on an index or other rate will need to be reviewed and possibly amended as such variable payments are incorporated into the measurement of the lease liability under IFRS 16.
- In the year prior to implementation, the financial statements will need to disclose the anticipated impact of adopting IFRS 16 from 1 April of the following year.
- Systems will need to be in place to capture the relevant information for new leases entered into on or after implementation.

Aberdeenshire Integration Joint Board will need to assess any relevance for them as to whether there are any arrangements which might contain the use of an asset, in order to ensure that the disclosures made in 2023/24 and accounting balances included within Aberdeenshire Integration Joint Board's financial statements are complete and accurate.

