

Aberdeenshire Integration Joint Board (AIJB) External Audit Plan

**Year ended
31 March 2023**

23 May 2023



Contents

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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 IJB for those charged with governance.

We are appointed by The Accounts Commission as the external auditors of Aberdeenshire IJB 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 IJB 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 IJB's financial statements, which have been prepared by management with the oversight of those charged with governance (the Aberdeenshire IJB Audit Committee). Our audit of the financial statements does not relieve management or the Aberdeenshire IJB 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 IJB and is risk based.



Plan overview

The audit plan sets out our risk based audit approach for Aberdeenshire IJB. This plan outlines our initial risk assessment and is reported to those charged with governance (Aberdeenshire IJB 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 2021/22 financial statements as our benchmark, resulting in the following:

- £5.940 million planning materiality based on 1.50% of prior year gross expenditure.
- Performance materiality of £3.861 million is based on 65% of planning materiality.
- Trivial is capped at £250,000 in line with Audit Scotland guidance.
- A lower materiality of £5,000 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 2022/23.

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 risks:

- Management override of controls (ISA (UK) 240);
- Risk of fraud in expenditure recognition – non payroll expenditure (cut-off) (PN10);

Two revised Auditing Standards (ISA (UK) 315 (Revised July 2020) ISA (UK) 240 (Revised May 2021)) will be applicable to your audit for the first time in 2022/23. Further detail on the impact of these revised standards is set out in the appendices.

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

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

Plan overview (continued(1))

04 Other audit matters

We summarise other audit matters for Aberdeenshire IJB 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 IJB in December 2022. Our fee agreed with Aberdeenshire IJB is £31,470. This fee includes:

- Auditor remuneration of £33,370;
- A contribution to Audit Scotland costs of £6,350;
- Audit support costs of 1,270; and
- Sectoral cap adjustment -£9,520

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.

Our planning work has been delayed as the IJB were not able to respond to audit requests until after the budget setting process. We had to reschedule our planning work to a later date on more than one occasion, and we have been flexible in our approach.

As a result, we did not meet the target date for the Audit Plan submission to the IJB and to Audit Scotland by 31 March 2023. We will review the response to the audit process at the financial statements visit, and may propose additional fee at that stage.

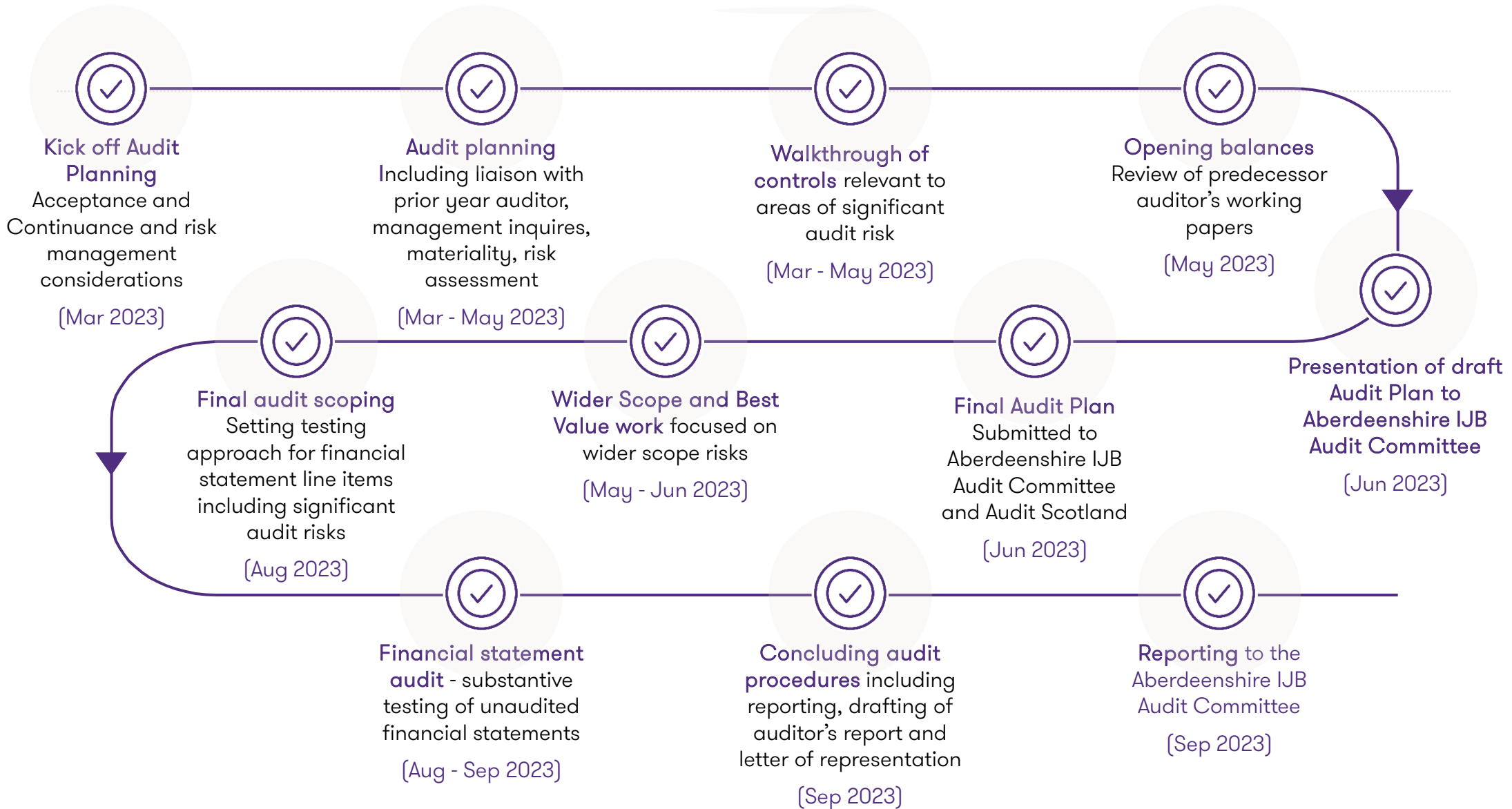
Plan overview (continued(2))

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.

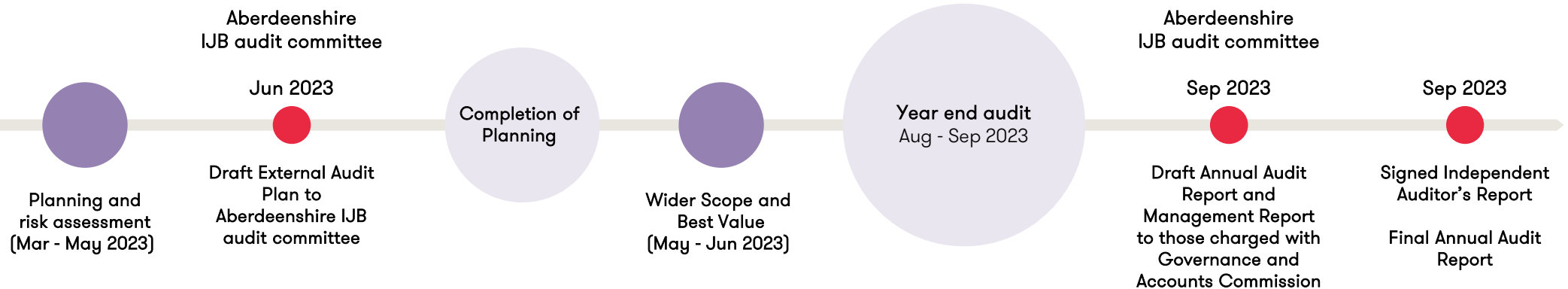
As we undertake our first year as your new auditor, we will bring a fresh perspective by implementing an element of unpredictability in our testing to highlight areas of risk and improvements that can be made through both the financial statement and wider scope and best value audit.

Audit approach



Audit timeline

The target dates specified by Audit Scotland for submission of audit Plans, audited accounts and the Annual Audit Report have been brought forward in the 2021 Code. We were required to submit audit plans to Audit Scotland by 31 March 2023, and it is anticipated that we will submit audited accounts and the Annual Audit Report by 30 September 2023. We were unable to issue an audit plan by the 31 March 2023 due to our audit planning work being delayed by the IJB's budget setting process. We have set out below our planned timescales for the Aberdeenshire IJB 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.

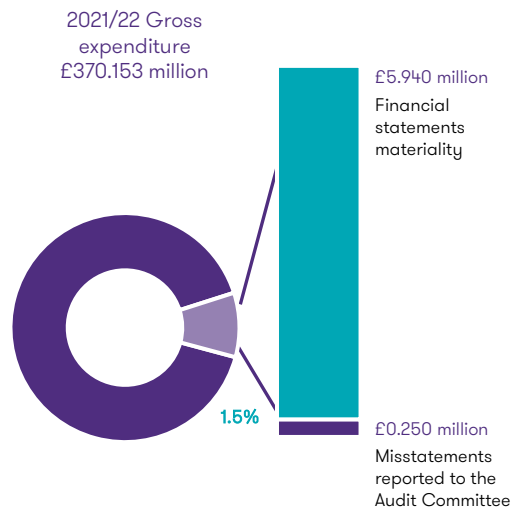
Our requirements

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 £5.940 million, which equates to approximately 1.5% of gross expenditure as per the 2021/22 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 65% of planning materiality, giving a performance materiality of £3.861m. This is based on our understanding of Aberdeenshire IJB 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 £5,000** 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 £250,000, being the maximum threshold prescribed by Audit Scotland.

We will update our materiality based on the unaudited 2022/23 financial statements when received in June 2023. 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.

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 Report.

Significant audit risks (continued (2))

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.

We focus our risk on the services commissioned from Aberdeenshire Council and NHS Grampian. Our testing will include a specific focus on year end cut-off arrangements, including consideration of the existence of accruals in relation to non payroll/non finance expenditure.

We will:

- Evaluate your accounting policy for recognition of expenditure for appropriateness and compliance with the CIPFA/LASAAC Code of Practice 2022/23;
- Perform detail testing of expenditure transactions at and around year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period;
- Review the judgements and estimates made by management when recognising accruals at year end within the financial statements, and where appropriate challenge management accordingly.

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 Report.

Other matters

Auditor Responsibilities

We have a number of audit responsibilities as set out in the Code and Planning Guidance 2022/23 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 (2022/23), 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 IJB’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.

Audit handover

To facilitate effective audit planning and deliver an efficient audit we gain a detailed understanding of Aberdeenshire IJB from discussions with key personnel at the entity, internal audit and the prior year auditor, attendance at Aberdeenshire IJB Audit Committee meetings and review of key documents.

In line with Audit Scotland's Handover guidance we seek to place as much assurance as possible on your previous auditor's work on your opening balances. We visited your previous auditor in May 2023 and reviewed their prior year audit working paper files.

Financial reporting developments

In January 2023, the Scottish Government wrote to Integration Joint Boards and NHS bodies to advise them of the amount of Covid reserves they intended to reclaim. This reclaim is to be made through a negative allocation to NHS bodies with local arrangements to be agreed with regards to the transactions between each NHS Board and IJB.

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

Other matters (continued (2))

Progress against prior year audit recommendations

The predecessor auditor identified the following issues in their 2021/22 audit of Aberdeenshire IJB's financial statements, which resulted in 4 recommendations being reported in their 2021/22 Annual Audit Report.

As part of our final accounts, we will follow up on the implementation of these prior year ongoing recommendations in full. The response at this stage for our Plan, is management's response.

Assessment	Issue and risk previously communicated by previous auditor	Update from management on actions taken to address the issue
Success to be determined during fieldwork. Auditor judgement will be noted in our final report	<p>Issue: There was a delay in the preparation of reconciliations of income and expenditure between partners and the IJB. Following receipt of the reconciliations, it was difficult to follow the audit trail between NHS Grampian and the IJB. Although the nominated finance officers from partner bodies are in regular contact, actual transactions and balances are not regularly agreed.</p> <p>Risk: There are material differences in partners' annual accounts.</p> <p>Previous auditor recommendation: Finance officers from partner bodies should regularly meet and agree transactions and balances with the IJB to ensure consistency of understanding and accounting treatment</p>	Finance officers from partner organisations meet on a regular basis to agree transactions and balances to ensure consistency of understanding and accounting treatment.

Other matters (continued (3))

Assessment	Issue and risk previously communicated by previous auditor	Update from management on actions taken to address the issue
In progress. Auditor judgement will be noted in our final report	<p>Issue: The management commentary that accompanies the financial statements should explain the results in simple terms and provide clarity to readers in order to help them understand how the IJB has performed, both in financial terms against budget and non-financial terms, against key service indicators where possible.</p> <p>Risk: The performance of the IJB may not be transparent, and the reader may not fully understand key messages.</p> <p>Previous auditor recommendation: The process for the preparation of the management commentary requires review to ensure the document complies with Scottish Government guidance and the Code of Practice on Local Authority Accounting.</p>	This will be undertaken by CFO and CO to improve on layout and content to improve clarity and simplification of results.
Success to be determined during fieldwork. Auditor judgement will be noted in our final report	<p>Issue: The audit trail on this cost centre was clouded by the treatment of expenditure funded by reserves. Covid related expenditure of £5m was incurred but this was not initially posted to MBS costs, instead transfers from reserves were posted as expenditure and then reversed. Similarly, unspent funding was incorrectly posted as expenditure and then reversed.</p> <p>Risk: There are material misstatements in the annual accounts.</p> <p>Previous auditor recommendation: The accounting arrangements for funding need to be reviewed as do the accounting arrangements for expenditure funded by reserves. Working papers need to explain material movements on account balances when compared with the previous year.</p>	Accounting arrangements and working papers in relation to MBS costs have been reviewed and working papers for 22/23 will explain material movements on account balances to previous year.

Other matters (continued (4))

Assessment	Issue and risk previously communicated by previous auditor	Update from management on actions taken to address the issue
Achieved	<p>Issue: With the ongoing impact of Covid-19, performance reporting is still largely dependent on thematic reporting on projects contained in the Strategic Delivery Plan. Local performance information has not yet been developed.</p> <p>Risk: There is a risk that the board is not able to undertake effective scrutiny.</p> <p>Previous auditor recommendation: As recommended in our 2020/21 Annual Audit Report, performance information should be presented on a regular basis to ensure that the IJB members are aware of overall performance and able to hold partners to account.</p>	<p>More detailed and frequent performance information has been presented to the IJB throughout 2022/23.</p> <p>This have been confirmed from our review of meeting minutes throughout the year.</p>

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	Vision, 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 2023/24 and beyond

As at 31 March 2022 general fund reserves stood at £7.9 million. An overspend of £1.99 million is forecast for 2022/23, which will be taken from the general fund. The 2023/24 budget, presented to the IJB on 29 March 2023, shows a funding gap of £7.8 million with a planned use of general reserves of £3.1 million (40% of the total funding gap). The remaining £4.7 million is to be bridged by £1.0 million of savings, £1.2 million of vacancy management and £3.0 million of efficiencies to be identified. The Medium Term Financial Strategy (MTFS) predicts a financial challenge of £11.4 million, £17.3 million and £23.5 million for the financial years from 2024-2027.

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

Financial sustainability (Continued) - Significant risk work area – future financial plans for 2023/24 and beyond

With the above use of the General Reserve and a number of non-earmarked reserves including the Risk Fund the balance on the General Reserve is forecast to be at the level of £6.5 million for 2023/24.

The MTFs estimates that without further savings there will be a shortfall of £23.5 million on the IJB budget at end of the 2026/27 financial year. Funding levels contained in the MTFs have only been set for one year (2022/23). Future projections have been based on historic trends and planning assumptions used by partners. This equates to an annual requirement of the need to identify circa £5.9 million of new cash releasing savings each year over the next 4 years, equivalent to 1.5% of the total IJB budget.

We will seek to understand the future financial forecasts and plans for Aberdeenshire Integration Joint Board for 2023/24 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. The work of the Partnership is governed by the Integration Joint Board (IJB). The AHSCP has a Strategic Plan which covers the period 2020-25. The Plan sets out the strategic direction for the next five years and the key priorities it will focus on.

The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services. The 2021/22 Annual Performance Report was presented to the IJB on 08 August 2022 and, following approval, has been published on the IJB's website. The annual performance report covers the period of 1st April 2021 to 31st March 2022. The structure of the report aims to demonstrate how the AHSCP has delivered against the local strategic priorities as well as the National Health and Wellbeing Outcomes.

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

Vision, Leadership and Governance (Continued) - Significant risk work area – Governance arrangements

All HSCPs in Scotland are measured against a National Core Suite of Integration Indicators with the aim of ensuring a consistent measurement approach across all HSCPs using national data sources. All HSCPs must also report against a set of six indicators monitored by the Ministerial Strategic Group for Health and Community Care (MSG), which together are seen to provide a measure of how HSCPs are making progress towards the key objectives of integration.

A risk based Internal Audit (IA) plan has been prepared for 2023-2026 and was approved by the Audit Committee. In March 2023 the Audit Committee were presented with an update on the Internal Audit progress. The IA progress report highlighted issues around progress on transformational projects and governance arrangements. A number of risks were identified, and recommendations made. We will perform work to understand the follow up and escalation that the IJB has undertaken, as well as any impact in the Annual Governance Statement reporting. 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 Annual Governance Statement with the key findings from audit, scrutiny, and inspection.

Financial management

We have not identified a risk in relation to Aberdeenshire Integration Joint Board's financial management from our initial planning work. The 2022/23 budget was set at £374 million which includes a savings plan of £2.2 million and provides for £1.0 million to be drawn from reserves if necessary.

The 2022/23 revenue budget was approved by the IJB Board at the 30th March 2022 meeting. Budget monitoring reports provide regular updates on financial performance throughout the year. Financial performance is reported in detail to each meeting of the relevant Committees. Reports are also provided to the Board.

A financial update on the 2022/23 budget was presented to the IJB Board on 1 March 2023. This was the third financial monitoring report to the IJB for the 2022/23 financial year. This report covered the financial position to the end of December 2022 compared to the agreed budget set in March 2022, adjusted for any agreed budget movements since the start of the year and approved savings to balance budget. The report showed a total over-spend of £4.328 million at the end of Dec 2022. A forecast was prepared based on the December results, showing a forecast 2022/23 overspend of £1.990 million for the year, which was 0.52% of the revised budget for 2022/23.

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

Financial management (Continued)

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 (4))

Other wider scope areas

In addition to the wider scope risks set out above, Audit Scotland's Planning Guidance 2022/23 requires us to consider the following national risks as part of our wider scope work:

- Climate change – Auditors are required to provide answers to six specified questions in a mandated return to Audit Scotland and to include appropriate reference in their Annual Audit Report.
- Cyber security – Auditors are required to consider risks related to cyber security at audited bodies as part of their work on the financial statements audit in line with guidance issued by Audit Scotland's Digital Audit Team.

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 previous auditor recommended in their findings report for 2021/22, that performance information should be presented on a regular basis to ensure that the IJB members are aware of overall performance and able to hold partners to account. Our work will also include following-up on the prior year recommendation (as reported on page 15).

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 IJB in December 2022. Our has been agreed with the Chief Financial Officer, and this is set out on page 5 of this Audit Plan. The Audit Plan was presented to the Audit Committee on 5 July 2023. 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 2022/23 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 2022/23

Service	Fees £
External Auditor Remuneration	£33,370
Audit support costs	£1,270
Contribution to Audit Scotland costs	£6,350
Contribution to Performance Audit and Best Value	Nil
Sectoral cap adjustment	-£9,520
2022/23 Fee	£31,470

At 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.

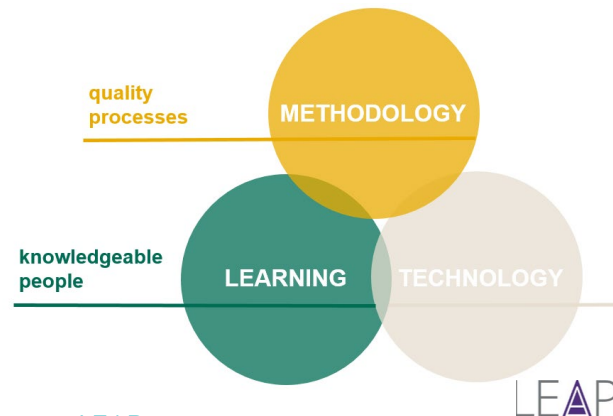
Our audit methodology is risk based and includes developing a good understanding of **Aberdeenshire IJB**. The diagram opposite summarises how our methodology and use of data adds value to our audit.

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 IJB 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 IJB.

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 IJB 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 IJB

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 2022/23).



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 IJB 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 IJB Audit Committee.

	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	•	•
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 Aberdeenshire IJB'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. The first year this impacted on Aberdeenshire IJB was the year ended 31 March 2023. 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 IJB.

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 IJB'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 2022/23 ,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 2022/23) 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 IJB 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. The first year this impacted on Aberdeenshire IJB was the year ended 31 March 2023.

We are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). The revised requirements in ISA (UK) 315 (Revised July 2020) include:

Key changes

- An emphasis has been added on the need for auditors to not bias their work toward obtaining corroborative evidence or excluding evidence that is contradictory.
- The concept of 'inherent risk factors' has been introduced to assist the auditor in identifying events or conditions that may affect the susceptibility of assertions about classes of transactions, account balances or disclosures to misstatement.
- A new concept of significant classes of transactions, account balances or disclosures refers to those classes for which there are assertions with an identified risk of material misstatement (referred to as relevant assertions).
- A new concept of spectrum of inherent risk applies to the extent to which inherent risk varies.
- Significant risk relates to an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the affect of inherent risk factors on the combination of the likelihood of a misstatement and the magnitude.
- A requirement for auditors to understand the entity's use of IT in its business, the related risks and the system of internal control addressing such risks. (Guidance is being provided from Audit Scotland's Digital Auditing team to assist auditors in this regard).

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

IT audit strategy (continued)

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 2022/23 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"> • Review of Service Auditor Reports • ITGC Assessment

Our work will also include a review of NHS Grampian’s cyber security controls.

On 4 August 2022, One Advanced (the supplier of eFinancials) was hit by a ransomware attack. They provide outsourced hosting services to a number of audited bodies. This issue impacted on both financial and non-financial systems. We are currently making inquiries as to whether NHS Grampian was affected by this event. Our inquiries include:

- whether NHS Grampian was affected;
- assess the impact including been data breaches, either through unauthorised access or exfiltration; and
- actions that have been taken.

We will reassess our IT audit procedures, if required, in response to this risk.

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.

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"> • 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. • 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. • 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.
Direction, supervision and review of the engagement	<ul style="list-style-type: none"> • 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.
Definition of engagement team	<ul style="list-style-type: none"> • 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. • 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.
Documentation	<ul style="list-style-type: none"> • The amendment to these auditing standards will result in additional documentation requirements to demonstrate how these requirements of these revised standards have been addressed.

Future auditing developments (continued)

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 IJB 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 IJB will need to ensure that controls are in place to identify all of its contracts and any other 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 the body's 2024/25 financial statements are complete and accurate.



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