



<b>Meeting</b>	<b>Audit, Risk and Assurance Committee</b>
<b>Date</b>	<b>6 February 2024</b>
<b>Location</b>	<b>By video-conference</b>
<b>Title of Paper</b>	<b>External Audit Plan 2023/24</b>
<b>Presented By</b>	<b>Joanne Brown, Partner, Grant Thornton UK LLP</b>
<b>Recommendation to Members</b>	<b>For Discussion</b>
<b>Appendix Attached</b>	<b>Appendix A – External Audit Plan 2023/24</b>

## **PURPOSE**

The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Scottish Police Authority.

The plan outlines the scope of the audit in accordance with the Code and International Standards on Auditing (ISAs) (UK), risks requiring special audit consideration, materiality thresholds, wider scope and best value arrangements, an outline of the logistics for carrying out the audit, and the planned audit fees

## **1. BACKGROUND**

- 1.1. Grant Thornton have been appointed by Auditor General for Scotland as the Authorities external auditor for the five year period commencing in 2022/23.
- 1.2. External auditors are required to provide an annual audit plan that outlines key points of how the audit has been planned and will be conducted.
- 1.3. This covering paper and the implications are outlined by Authority staff. The attached external audit plan has been produced by Grant Thornton.

## **2. FURTHER DETAIL ON THE REPORT TOPIC**

- 2.1 The detailed external audit plan is included at Appendix A.
- 2.2 This plan sets out the risk based audit approach that will be undertaken including detail of:
  - Materiality;
  - Significant financial statement risks identified;
  - Wider scope / Best Value responsibilities;
  - Audit fees;
  - Audit timetable and reporting; and
  - Various other required matters

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are financial implications in this report.
- 3.2 The core audit fees as outlined in this report are within budget. External audit also provide a crucial independent opinion on the accuracy of financial reporting.

## **4 PERSONNEL IMPLICATIONS**

- 4.1 There are no personnel implications in this report.

## **5 LEGAL IMPLICATIONS**

5.1 There are no legal implications in this report.

## **6 REPUTATIONAL IMPLICATIONS**

6.1 There are direct reputational implications in this report. External auditors will provide a public report on the annual report and accounts which may have reputational implications

## **7 SOCIAL IMPLICATIONS**

7.1 There are no social implications in this report.

## **8 COMMUNITY IMPACT**

8.1 There are no community implications in this report.

## **9 EQUALITIES IMPLICATIONS**

9.1 There are no equality implications in this report.

## **10 ENVIRONMENT IMPLICATIONS**

10.1 There may be environmental implications in this report.

### **RECOMMENDATIONS**

Members are invited to discuss the External Audit Plan for the 2023/24 financial year.

# External Audit Plan

## Scottish Police Authority

Financial year ending 31 March 2024

Prepared for those Charged  
with Governance and the  
Auditor General for Scotland

6 February 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 the Scottish Police Authority for those charged with governance.

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

## Respective responsibilities

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

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Scottish Police Authority's financial statements, which have been prepared by management with the oversight of those charged with governance (the Audit, Risk and Assurance Committee). Our audit of the financial statements does not relieve management or the Audit, Risk and Assurance 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 work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Scottish Police Authority and is risk based.



# 1. Plan overview

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

## 01 Materiality

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

- We have determined planning materiality to be £24.925 million. This equates to approximately 1.7% of the SPA's prior year gross expenditure.
- Performance materiality has been determined as £17.447 million and is based on 70% of planning materiality.
- We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Trivial has been calculated at 5% of Materiality being £1.246 million. Please note the previous Audit Scotland cap of £250,000 has been removed for 2023/24 financial year and it is now set by the individual auditor to determine the level of triviality.

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 risks:

- Management override of controls (ISA (UK) 240);
- Risk of fraud in income recognition (ISA (UK) 240) (this risk has been rebutted)
- Risk that expenditure, including operating expenditure and associated creditor balances is not complete (Practice Note 10) (this risk has been rebutted)
- Valuation of land and buildings (valuation); and
- Valuation of the net pension fund liability (valuation).

We will communicate significant findings on these areas 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 significant risks and will conclude on these during the audit:

- Financial management – no significant risks identified.
- Financial sustainability – we have identified one significant risk relating to identification and delivery of significant savings and transformation in order to reduce funding gaps, deliver a balanced budget and continue to deliver key services and policing priorities. More information relating to the response to this risk can be found on page 16 of this report.
- Vision, Leadership and Governance - no significant risks identified.
- Use of Resources to Improve Outcomes – no significant risks identified.

## 2. Plan overview (continued)

### 04 Other audit matters

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

- In accordance with the Code and planning guidance we also complete and submit a number of deliverables during the year, including sharing intelligence with Audit Scotland, and completing Audit Scotland data sets such as the information return for the National Fraud Initiative (NFI) process.
- Consideration of going concern in accordance with Practice Note 10.

### 05 Our Audit Fee

Audit fees were shared by Audit Scotland with the Chief Executive and Chief Financial Officer in January 2024. The Audit Fee set by Audit Scotland is £291,150. This fee includes:

- Audit Scotland External Audit Remuneration £231,050;
- Pooled costs £2,470; and
- Sectoral cap adjustment £57,630.

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

The audit fee has been agreed with the audited body.

### 06 Adding Value Through the Audit

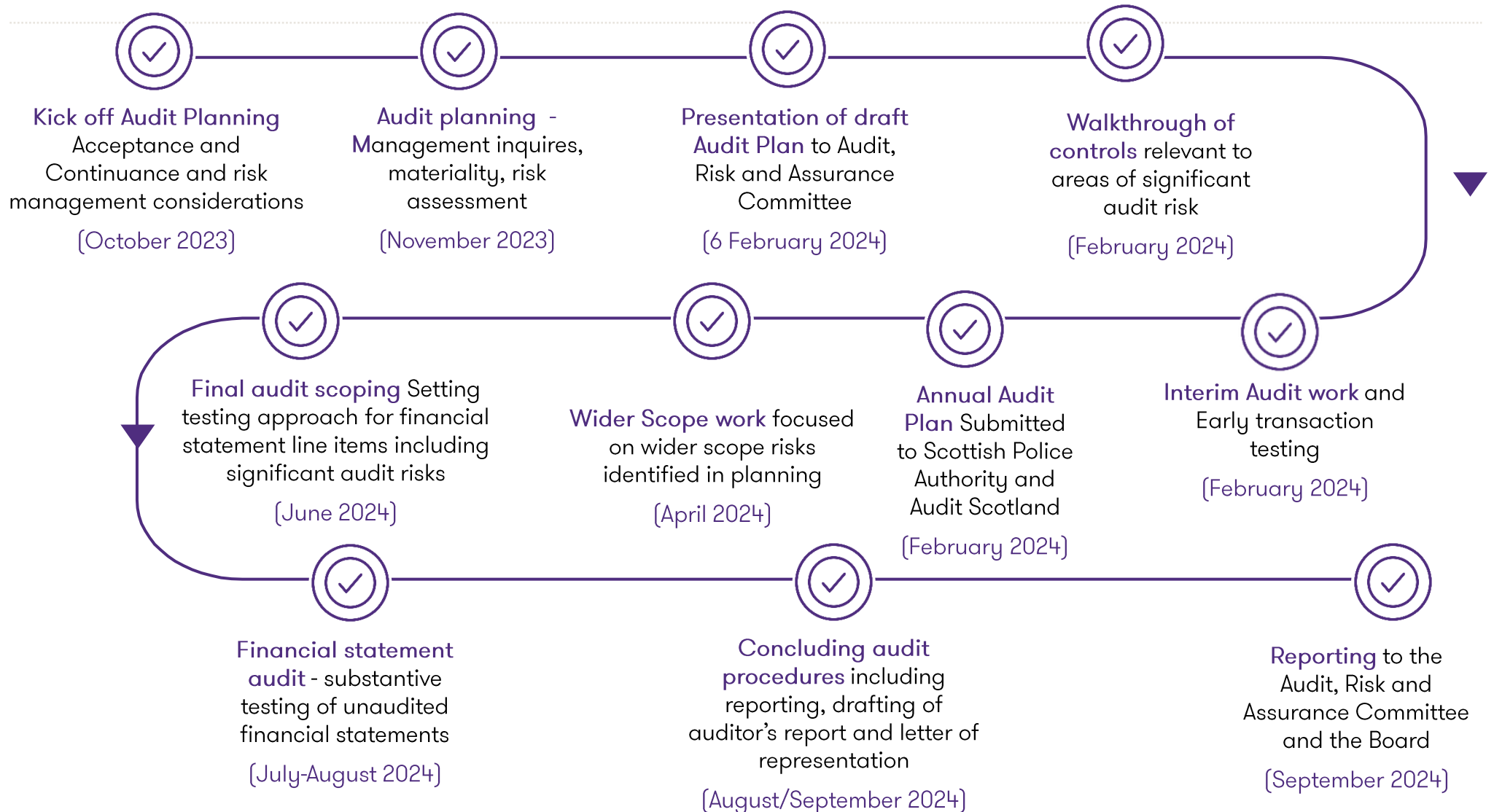
Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials. We use our LEAP audit methodology and data analytics to ensure delivery of a quality audit.

We aim to add value to the SPA through our external audit work by being constructive and forward looking, by attending meetings of the Audit, Risk and Assurance Committee and by recommending and encouraging good practice. In so doing, we will help the SPA promote improved standards of governance, better management and decision making and more effective use of resources.

We also look to bring forward audit testing where possible by performing an interim audit which is planned to be delivered in February 2024. This will help provide a smooth and efficient audit process to support delivery for the year end audit.

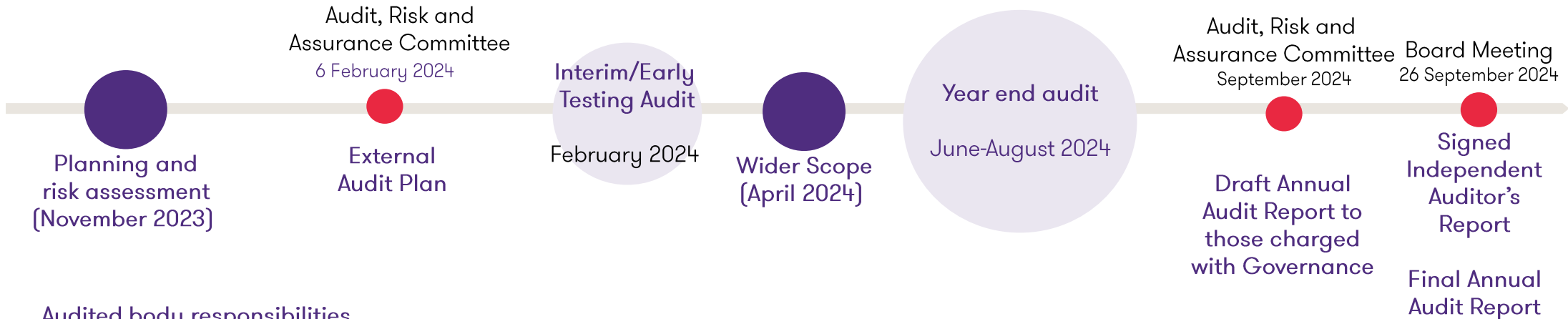


# Audit approach



# 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 31 October 2024. We have set out below our planned timescales for the Scottish Police Authority 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 an audited body not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits 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

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

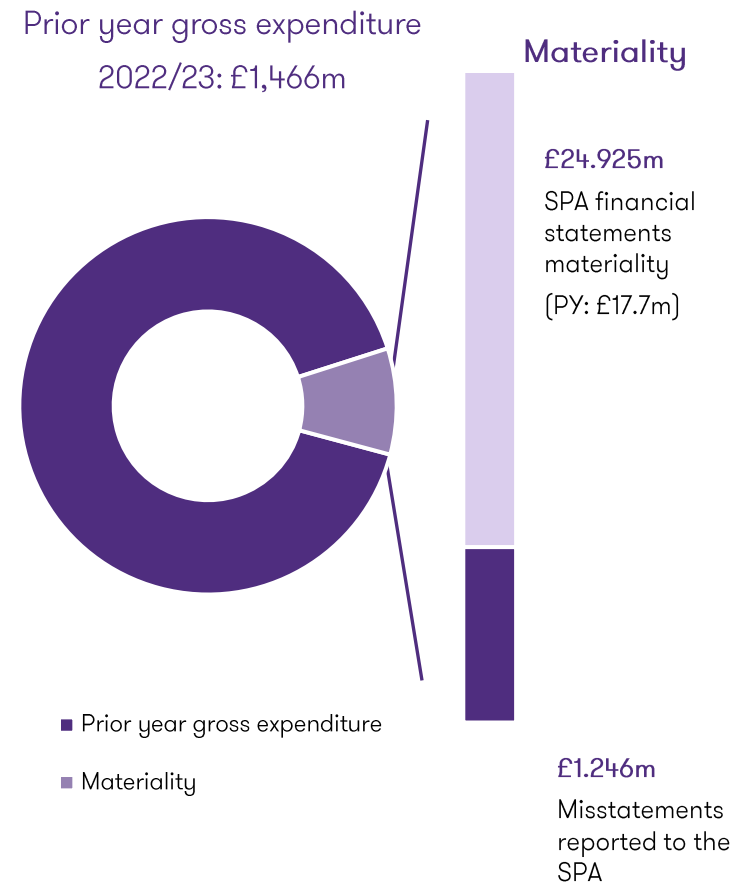
We have determined financial statement materiality based on a proportion of the gross operating costs of the Authority for the financial year. Materiality at the planning stage of our audit is £24.925m (PY Materiality £17.717m), which equates to approximately 1.7% of your prior year gross operating costs for the year.

Performance materiality for the SPA for the year ended 31 March 2024 has been set at £17.447m (PY performance materiality £11.516m).

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Accountable Officer and the Audit, Risk and Assurance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Scottish Police Authority any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. Our triviality threshold has been set at 5% of overall materiality being £1.246m.



# 1. 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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Scottish Police Authority, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because: <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition;</li><li>• opportunities to manipulate revenue recognition are very limited; and</li><li>• the culture and ethical frameworks of police authorities, including the Scottish Police Authority, mean that all forms of fraud are seen as unacceptable.</li></ul> <b>Therefore, we do not consider this to be a significant risk for the Scottish Police Authority.</b>
<b>Management over-ride of controls</b>	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: <ul style="list-style-type: none"><li>• Document our understanding of and evaluate the design effectiveness of management's key controls over journals;</li><li>• Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals;</li><li>• Test the high risk journals we have identified;</li><li>• Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness;</li><li>• Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates.</li><li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul>

"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)

## 2. Significant audit risks

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Risk that expenditure, including operating expenditure and associated creditor balances is not complete (Practice Note 10)</b>	<p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition".</p> <p><b>(rebutted)</b></p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the expenditure streams at the SPA, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate expenditure recognition;</li><li>• opportunities to manipulate expenditure recognition are very limited;</li><li>• the culture and ethical frameworks of police authorities, including the SPA, mean that all forms of fraud are seen as unacceptable; and</li><li>• regular dialogue with the Scottish Government to monitor financial performance provides limited opportunity to manipulate the financial position.</li></ul> <p>A large proportion of the SPA's expenditure relates to resources consumed in the direction and control of day-to-day policing such as police staff and wages, employee-related expenditure, premises, transport and supplies and services of Police Scotland. These expenditure streams and processes are largely automated. Controls have also been designed and implemented to mitigate any fraud within these expenditure streams and therefore the risk of fraud in expenditure recognition is deemed low.</p> <p><b>Therefore, we do not consider this to be a significant risk for the Scottish Police Authority.</b></p>

# 3. Significant audit risks

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of land and buildings</b>	<p>In accordance with the HM Treasury Financial Reporting Manual (FReM), subsequent to initial recognition, the Scottish Police Authority (SPA) is required to hold property, plant and equipment on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value. The SPA appoint Graham and Sibbald to undertake a rolling programme of valuations across their asset base, valuing land and buildings at least once every five years. As at 31 March 2023, the SPA held property, plant and equipment (PPE) of £542.5 million including land and buildings of £409 million.</p> <p>Given the significant value of the land, buildings and dwellings held by the SPA and the level of complexity and judgement involved in the estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical costs, as a proxy of fair value and therefore less likely to be materially misstated. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and / or unusual approaches to their valuations, as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will also focus our work on assets that have not been revalued to ensure the carrying value of assets is not materially different to the current value at the year-end date.</p>	<p>Our testing will include:</p> <ul style="list-style-type: none"><li>• Evaluating management’s processes and controls for the calculation of the valuation estimates, the instructions issued to their management experts and the scope of their work;</li><li>• Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations;</li><li>• Evaluating the valuer’s report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable;</li><li>• Challenging the key data and assumptions used by management’s experts in the valuation process for these assets;</li><li>• Testing a selection of other asset revaluations made during the year to ensure they have been input accurately into the entity's asset register, and the revaluations have been correctly reflected in the financial statements; and</li><li>• Evaluating the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li></ul>

# 4. Significant audit risks

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of the pension fund net liability</b>	<p>The Police Officer Pension schemes and Local Government Pension Scheme (LGPS) pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>This estimate by its nature is subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used. We do not believe there is a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation or due to the source data used in their calculation (<i>unless any significant events have occurred, such as significant special events [i.e. redundancies, bulk transfers or outsourcing], material transfers or material membership movements which the actuary may not have taken into account.</i>)</p> <p>However, we have concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. As noted above, the appropriateness of the assumptions proposed by the actuary is covered by the TAS actuarial standards. However, the entity may choose to use different assumptions than those proposed by their actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.</p> <p>We have therefore identified the valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our testing will include:</p> <ul style="list-style-type: none"><li>• Obtain an understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li><li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li><li>• Assess the competence, capabilities and objectivity of the actuary who carried out the pension liability valuation;</li><li>• Assess the accuracy and completeness of the information provided by the SPA to the actuary to estimate the liability;</li><li>• Test the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li><li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report.</li></ul>

# 1. 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 and Staff Report in your Annual Report and check whether these sections have been properly prepared (opinion).
- We read the sections of your Annual Report which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in the FReM (opinion).
- We carry out work in order to express an opinion on whether in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers (opinion).
- We consider our other duties under the Code and planning guidance (2023/24), as and when required, including:
  - Supporting Audit Scotland in Section 22 reporting
  - Providing regular updates to Audit Scotland to share awareness of current issues
  - Notifying Audit Scotland of any cases of money laundering or fraud
  - Review of Central Government Technical guidance prior to issue by Audit Scotland.
  - Provide an information return to Audit Scotland to support Audit Scotland's NFI report due to be published in summer 2024

## Going concern assessment

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 was updated in 2020 to take account of revisions to ISAs (UK), including ISA (UK) 570 (Revised September 2019) on going concern.

PN 10 allows auditors to apply a 'continued provision of service approach' when auditing going concern in the public sector, where appropriate. Audit Scotland's also issued further guidance in a Going Concern publication in December 2020).

Within our wider scope work we will conclude on the Scottish Police Authority's arrangements to ensure financial sustainability.



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# 2. Other matters (continued)

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## 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 and implementation) as it relates to the preparation of your financial statements. In particular we will:

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

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

During our audit we will actively discuss emerging financial reporting developments with you. The key financial reporting development for 2023/24 central government audits is the implementation of IFRS 16 extends to PFI liabilities from 1 April 2023.

# 1. 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.

2021 Code of Audit Practice Audit Dimensions	Meaning
Financial Sustainability	Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.
Financial Management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
Vision, Leadership and Governance	Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.
Use of Resources to Improve Outcomes	Bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

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

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

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

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

### Financial sustainability

The SPA have set a balanced budget for 2023/24 however, in order to deliver a balanced budget, over £50m of savings are required to be delivered. Plans included reducing the workforce through a reduction in officer and staff numbers and options to reduce non-pay expenditure. A number of financial risks were highlighted as part of the budget approval process, some of which have materialised in the first half of the financial year causing significant pressure on the 2023/24 revenue position.

Central Government budget pressures provides a risk that future financial funding settlements do not meet the requirements for the running of a twenty first century police force. The SPA have identified significant funding gaps for the medium to longer term. This is compounded by an uncertain financial climate where inflation is increasing at record rates and the cost of living crises is pushing up costs for all areas of the economy.

Consecutive one-year funding settlements create challenges in the authority's ability to plan for the medium to longer term and has weakened one of the key anchor points for strategic planning for the organisation. The Authority faces significant challenges in dealing with future funding gaps where funding is not matched by the Scottish Government. In order to achieve financial sustainability and bridge funding gaps, the Authority will need to identify and deliver significant savings and transformation in order to reduce funding gaps, deliver a balanced budget and continue to deliver key services and policing priorities.

Significant risk identified:

In order to achieve financial sustainability to bridge funding gaps, the authority will need to identify and deliver significant savings and transformation in order to reduce funding gaps, deliver a balanced budget and continue to deliver key services and policing priorities.

Response to significant risk:

In undertaking our audit work in response to this significant risk we will review how the SPA:

- identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings and future transformation
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

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

**Financial management** The SPA has processes in place which detail the responsibilities of Resources Committee members and senior management for planning and managing the Authority's finances. These are set out in the SPA's Governance Framework. We have not identified any evidence of the SPA not complying with these processes. The SPA identifies future cost pressures as part of its initial budget setting process, which involves meetings between budget holders and members of the finance team, on an ongoing basis throughout the year, usually through budget monitoring meetings.

We have not identified a significant risk in relation to the SPA's arrangements for financial management from our initial planning work. We will seek to understand the effectiveness of the SPA's budgetary control system in communicating accurate and timely financial performance, including the arrangements for identifying, monitoring and reporting of savings. We will consider the overall financial position reached by the SPA during 2023/24 and we will seek to understand the future financial implications of this.

**Vision, Leadership and Governance** A new Chief Constable was appointed to Police Scotland to replace the former Chief Constable, Sir Iain Livingstone, who retired during the year. We understand that with the transition of a new Chief Constable there will be an opportunity to revisit and refresh different ways of working to help further improve the organisation. We will review the arrangements in place to support the transition of the new Chief Constable and ensure the continuation of strong leadership and governance as well as the arrangements in place to review the vision and corporate strategy for the police force in line with emerging priorities.

We have not identified a significant risk in relation to the SPA's arrangements for vision, leadership and governance from our initial planning work.

We will review the effectiveness of your scrutiny and governance arrangements, leadership and decision making, and transparency of 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.

## 4. Wider scope risks identified in planning (continued)

### Use of Resources to Improve Outcomes

The SPA needs to make best use of its 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.

One of the ways in which the Scottish Police Authority and Police Scotland look to deliver savings and improve policing operations is through Police Scotland's transformation programme. The size and scale of the transformation portfolio held by Police Scotland means it is critical that appropriate arrangements are in place to ensure that transformation projects and programmes can be delivered on time, to budget, meet strategic objectives and bring about intended benefits and transformational change to the organisation. As part of our review of use of resources to improve outcomes, we will review the arrangements in place by Police Scotland to deliver and implement large scale transformation programmes and deliver intended benefits. We will also review the SPA's scrutiny and oversight arrangements in place over Police Scotland's transformation portfolio.

We have not identified a significant risk in relation to the SPA's arrangements for use of resources to improve outcomes from our initial planning work.

# 5. Wider scope risks identified in planning (continued)

## Best Value

The Scottish Public Finance Manual (SPFM) explains that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Within the Police and Fire Reform Act (Scotland) 2012 this requirement also extends to the Chief Constable. Auditors are required to confirm that there are organisational arrangements in place in this regard when planning and reporting on the wider scope areas. Auditors may also carry out specific audit work covering the seven Best Value characteristics set out in the SPFM. The nature and extent of this work is determined by the annual risk assessment carried out as part of our wider scope work.

We have identified a significant risk in relation to financial sustainability as a result of our risk assessment and planning work over the wider scope themes. As part of our wider scope work relating to financial sustainability we will assess the arrangements in place by the Authority in order to achieve sustainability as a best value characteristic and report on arrangements in place as part of our Annual Audit Report (AAR). Although we have identified a significant risk in relation to financial sustainability as part of our wider scope work we have not identified a significant risk in relation to arrangements in place to secure best value.

We have not identified any significant risks in relation to the Scottish Police Authority's Best Value arrangements.

# 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 the Chief Executive and Chief Financial Officer in January 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.

## 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.

## Fee Assumptions

In setting the below fees, it is assumed that the Scottish Police Authority will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audits
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

We anticipate there may be additional costs to our audit not already inbuilt into the fee set by Audit Scotland. This may include additional costs in relation to employment of an auditor expert to assist with the audit work relating to the significant risk of valuation of land and buildings. Additional costs in relation to the significant risk relating to the net pension liability and testing of the Police Pension scheme which may also incur additional audit resource and cost. We will discuss any additional costs with senior officers and confirm the final audit fee within our Annual Audit Report.

## Audit fees for 2023-24

Service	Fees £
Audit Scotland External Audit Remuneration	£231,050
Pooled Costs	£2,470
Contribution to Audit Scotland support costs	Nil
Contribution to Performance Audit and Best Value	Nil
Sectoral cap adjustment	£57,630
<b>2023-24 Fee</b>	<b>£291,050</b>

## Additional Fees (Non-Audit Services)

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

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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 the Scottish Police Authority 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 the Scottish Police Authority.

No non-audit services provided by Grant Thornton have been identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Report at the conclusion of the audit.



# 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.

## The Scottish Police Authority

Your responsibilities include:

- Maintaining adequate accounting records and working papers
- Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
- Establishing and maintaining a sound system of internal control
- Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
- Maintaining standards of conduct for the prevention and detection of fraud and other irregularities
- Maintaining strong corporate governance arrangements and a financial position that is soundly based
- Establishing and maintaining an effective internal audit function.

## External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
- Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
- Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope work
- Providing assurance on specified returns and other outputs (where required), as specified in guidance issued by Audit Scotland
- Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required.
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 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 Audit, Risk and Assurance Committee). Our reporting responsibilities are set out below. We communicate all matters affecting the audit on a timely basis, to management and/or the Audit, Risk and Assurance Committee.

Our communication plan	Audit Plan	Annual Audit 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 the Scottish Police Authority'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		•
Follow up on prior year action plan recommendations		•
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		•

# 1. 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 the Scottish Police Authority.

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 the Scottish police Authority'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.

## 2. 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; and
- 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 the Scottish Police Authority we will report to the Auditor General as required by Audit Scotland.

# IT audit strategy

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
eFinancials	Financial reporting	A detailed review of the IT General Controls related to security management, development and maintenance and technology infrastructure will be carried out 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.
Real Asset Management 4000 (RAM)	Fixed Asset Register	
iTrent	Payroll	

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

