Grant Thornton

Scottish Police Authority Interim External Audit Plan
(subject to completion of all planning procedures)

Financial year ending 31 March 2025

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

28 January 2025

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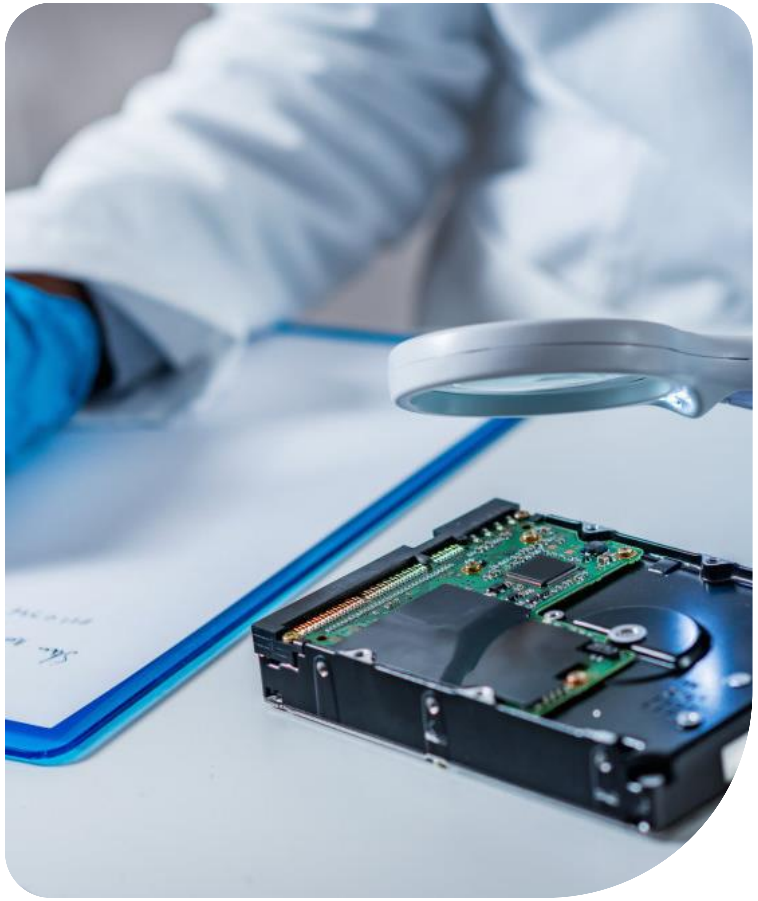
Key developments impacting our audit approach

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in the central government sector.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
- We would meet bi-monthly with the Chief Executive and Deputy Chief Executive of SPA as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit, Risk and Assurance Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our wider scope work in relation to financial management and financial sustainability.
- Our wider scope work will also consider your arrangements relating to vision, leadership and governance and use of resources to improve outcomes.
- During the year, we expect Audit Scotland and HMCIS to undertake a joint Best Value Assurance Report (BVAR).
- We will continue to provide you and your Audit, Risk and Assurance Committee with sector updates providing our insight on issues from a range of sources via our Audit, Risk and Assurance Committee updates.

02 Introduction and Headlines

Introduction and headlines (1)



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of the Scottish Police Authority (SPA) for those charged with governance.
- We are appointed by the Auditor General as the external auditors of the SPA 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 SPA 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 SPA's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk and Assurance Committee). The 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 its business, and that public money is safeguarded and properly accounted for. As part of our wider scope work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the SPA and is risk based.

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.

Introduction and headlines (2)

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.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Risk of fraud in income recognition (ISA (UK) 240) (this risk has been rebutted)
- Risk of fraud in expenditure recognition (PN 10) (this risk has been rebutted)
- Management override of control (ISA (UK) 240)
- Valuation of land and buildings
- Valuation of the net pension fund liability.

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

Materiality

We have calculated our planning materiality to be £29.875 million (PY: £24.925 million) for the Authority, which equates to 2% of your prior year gross expenditure as per the audited 2023/24 financial statements. In our calculation of materiality, we have removed one off non-recurring items, such as IAS 19 pension costs, given this figure is dependent on the triannual valuation which occurs every three years.

Performance materiality has been determined as £22.338 million (PY: £17.447 million) and is based on 75% of planning materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been calculated at 5% of materiality being £1.489 million (PY: £1.246 million).

A lower materiality threshold of £25,000 will be used on the Senior Office Holders' and Board Member Remuneration disclosures.

We will revisit our materiality throughout our audit including updating to reflect the draft unaudited financial statements for 2024/25.

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.
- Vision, Leadership and Governance - no significant risks identified.
- Use of Resources to Improve Outcomes – no significant risks identified.

Introduction and headlines (3)

Audit logistics

Our interim visit will take place in February and our final visit will take place in June through August. Our key deliverables are this Audit Plan and the Auditor's Annual Report.

Audit fees were shared by Audit Scotland with the Authority in January 2025. Audit fees are paid to Audit Scotland, who in turn pay us. We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise. One area this relates to is the implementation of the new lease system, however, at this stage, until procedures are planned and undertaken, this can't be quantified. Further details with regards to audit fees are included within section 8 of our plan.

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

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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 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 SPA promote improved standards of governance, better management and decision making and more effective use of resources.

03 Identified risks

Significant risks identified (1)

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Key aspects of our proposed response to the risk
Fraud in Revenue Recognition	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (rebutted)	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the SPA, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of police authorities, including the SPA, mean that all forms of fraud are seen as unacceptable. **Therefore, we do not consider this to be a significant risk for the Scottish Police Authority.**

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (2)

Significant Risk	Description	Key aspects of our proposed response to the risk
Fraud in expenditure recognition	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: "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". (rebutted)	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: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; • the culture and ethical frameworks of police authorities, including the SPA, mean that all forms of fraud are seen as unacceptable; and • regular dialogue with the Scottish Government to monitor financial performance provides limited opportunity to manipulate the financial position. 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. **Therefore, we do not consider this to be a significant risk for the Scottish Police Authority.**

Significant risks identified (3)

Significant risk	Description	Key aspects of our proposed response to the risk
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. 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. We have therefore identified management override of controls, in particular journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.	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 identified (4)

Significant risk	Description	Key aspects of our proposed response to the risk
Valuation of land and buildings	In accordance with the HM Treasury Financial Reporting Manual (FReM), subsequent to initial recognition, the 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 2024, the SPA held property, plant and equipment (PPE) of £539.4 million including land and buildings of £408.0 million. 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.	Our testing will include: • 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; • Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations; • 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; • Challenging the key data and assumptions used by management's experts in the valuation process for these assets; • 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 • 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.

Significant risks identified (5)

Significant risk	Description	Key aspects of our proposed response to the risk
Valuation of the pension fund liability	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. 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 (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.) 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. 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.	Our testing will include: • 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; • Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations; • 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; • Challenging the key data and assumptions used by management's experts in the valuation process for these assets; • 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 • 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.

Other risks identified

Other risk	Description	Key aspects of our proposed response to the risk
Implementation of the new leases accounting system	The Lease Accounting System (LAS) project has progressed in the latter part of 2024, and the current go-live date for the new system is scheduled for the end of January 2025. Training sessions for users, presented by the software supplier, were undertaken during October and November 2024. In advance of the new system, input data and reconciliations to previous lease worksheets have been completed to ensure correct opening balances (at the 1 April 2024) within the new system. Plans are in place for the required confirmatory reports to be run and for the system to be updated for 2024/25 transactions, leading to the full use of the lease software for closing balances and year-end updates as required.	Our initial planned audit procedures include: • Undertake a review of the implementation process of the new system. • Obtain an understanding of the new system including controls in place. • Review the organisation's process for ensuring the migration to the new system is complete and accurate. • Complete a reconciliation to ensure the opening balances within the new system are accurate and complete. • Understand and test the accounting and disclosure arrangements for leases within the Annual Report and Accounts in line with our audit scope. During the course of our audit engagement, we will continue to assess the appropriateness of our planned approach and update where appropriate.

Other matters (1)

Other work

In addition to our expected responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We audit parts of your Remuneration and Staff Report in your Annual Report and check whether these sections of your Annual Report have been properly prepared (opinion). These procedures are performed to a lower materiality.
- 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 2024/25 (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 carry out work as appropriate for the Whole of Government Accounts process in accordance with group audit instructions.
- We consider our other duties under the Code and planning guidance (2024/25) issued by Audit Scotland, as and when required, including:
  - supporting Audit Scotland in Section 22 reporting
  - review of central government technical guidance prior to issue by Audit Scotland
  - providing regular updates to Audit Scotland to share awareness of current issues
  - notifying Audit Scotland of any cases of money laundering or fraud.

Other material balances and transactions

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

Other matters (2)

Going concern assessment

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

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

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

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

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

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

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.

04 Our approach to materiality

Our approach to materiality (1)

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

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgement in the context of our knowledge of the business, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements. We have determined financial statement materiality based on a proportion of the gross operating costs of the Authority for the financial year. Materiality at the planning stage of our audit is £29.765 million (PY: £17.717 million), which equates to 2% of your prior year gross operating costs for the year. In our calculation of materiality, we have removed one off non-recurring items, such as IAS 19 pension costs, given this figure is dependent on the triannual valuation which occurs every three years. Performance materiality for the Authority has been set at £22.338 million (PY: £17.447 million).	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to: – instances where greater precision is required (e.g. the Senior Office Holders' and Board Members Remuneration Tables)
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• 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

Our approach to materiality (2)

Matter	Description	Planned audit procedures
04	**Matters we will report to 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 Audi, Risk and Assurance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit, Risk and Assurance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.489 million (PY: £1.246 million). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk and Assurance Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality (3)

	Amount (£)	Qualitative factors considered
Materiality for the Authority's financial statements	£29.765 million	Our materiality has been set at 2% of prior year gross operating costs of the Authority as per the 2023/24 financial statements. In setting this threshold, the following factors have been considered: • There were no significant findings in the 2023/24 audit report. • One off non-recurring items, such as IAS 19 pension costs have been removed, given this figure is dependent on the triannual valuation which occurs every three years. • No significant deficiencies have been identified with the SPA control environment. • The level of public interest in SPA by the public and the Scottish Government
Materiality for specific transactions, balances or disclosures – Remuneration Report	£25,000	Due to the sensitivity of the disclosures to the users of the financial statements, a lower materiality threshold has been applied to the Senior Office holders' and Board Member Remuneration disclosures. All other remuneration disclosures will be audited at headline materiality.

05 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
eFinancials	Financial reporting	• ITGC assessment (design and implementation effectiveness only)
Real Asset Management 4000 (RAM)	Fixed Asset Register	• ITGC assessment (design and implementation effectiveness only)
iTrent	Payroll	• ITGC assessment (design and implementation effectiveness only)

06 Wider scope and best value arrangements

Wider scope and best value arrangements (1)

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four audit areas that frame wider scope into identifiable areas. These are as set out below:

Financial management

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

Financial Sustainability

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

Vision, Leadership and Governance

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

Use of Resources to Improve Outcomes

How the body makes best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. 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. During the year, we expect Audit Scotland and HMCIS to undertake a joint Best Value Assurance Report (BVAR).

Wider scope and best value arrangements(2)

Risk assessment of the Authority's wider scope arrangements

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to 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.

Criteria	2023/24 Auditor judgement on arrangements (per 2023/24 AAR)		2024/25 risk assessment	2024/25 planning considerations
Financial Management	G	Appropriate arrangements were in place, with only minor improvement recommendations being made.	No significant risks has been identified.	Our initial planning work has not identified a significant risk in relation to SPA's arrangements for financial management. As part of our work, we will consider whether the body has effective arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Wider scope and best value arrangements (3)

Criteria	2023/24 Auditor judgement on arrangements (per 2023/24 AAR)		2024/25 risk assessment	2024/25 planning considerations
Financial Sustainability	R	Significant risk identified. Our conclusion noted that whilst the 2024/25 budget processes were appropriate and benefited from a revenue uplift, it is crucial that the SPA closely monitors its financial position and addresses internal audit recommendations on investment prioritisation, while also updating its medium-term financial plans in a formal manner to align with the 2023-2026 Joint Strategy for Policing.	Significant risk identified - 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.	**Our initial planning work has identified a significant risk in relation to financial sustainability.** As part of our work, we will consider whether the body is planning effectively to continue to deliver it services. Additionally, we will seek to understand how the SPA identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans. We will also consider how the SPA plans to bridge its funding gaps and identify achievable savings and future transformation whilst supporting the sustainable delivery of services in accordance with strategic and statutory priorities. This includes how the SPA manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans and consider whether the body is planning effectively to continue to deliver services.

Wider scope and best value arrangements (4)

Criteria	2023/24 Auditor judgement on arrangements (per 2023/24 AAR)		2024/25 risk assessment	2024/25 planning considerations
Vision, Leadership and Governance	A	Appropriate arrangements were in place, with improvement recommendations being made.	No risks of significant weakness identified	Our initial planning work has not identified a significant risk in relation to SPA's arrangements for vision, leadership and governance. As part of our work, we will consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the SPA. Additionally, we will consider the effectiveness of governance arrangements for delivery, which includes openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.
Use of Resources to Improve Outcomes	G	Appropriate arrangements were in place, with only minor improvement recommendations being made.	No significant risks has been identified.	Our initial planning work has not identified a significant risk in relation to SPA's arrangements for use of resources to improve outcomes. As part of our work, we will consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

Wider scope and best value arrangements (5)

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.

The duty of Best Value, as set out in the SPFM, is:

- to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance,
- to have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

Guidance for Accountable Officers is structured around the nine characteristics for Best Value in the SPFM, grouping into five themes and two cross-cutting themes as follows:

Guidance for Accountable Officers	Scottish Public Finance Manual themes
Vision and Leadership	Commitment and leadership, responsiveness and consultation and sound governance at a strategic and operational level
Effective Partnerships	Joint working, responsiveness and consultation
Governance and Accountability	Responsiveness and consultation, commitment and leadership and accountability
Use of resources	Sound management of resources and use of review and options appraisal
Performance Management	Sound governance at a strategic and operational level, responsiveness and consultation
Equality	Equal opportunities arrangements
Sustainability	A contribution to sustainable development

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

07 Logistics

The Audit Timeline - Logistics (1)

We are required to submit audit plans to Audit Scotland by 31 March 2025, and it is anticipated that we will submit audited accounts and the Annual Audit Report by 31 October 2025 in line with the Audit Scotland deadline. We have set out our planned timescales for the SPA audit below:

Key Dates

- Audit, Risk and Assurance Committee: 06 02 2025
- Year end: 31 03 2025
- Audit, Risk and Assurance Committee: 11 09 2025
- Board Meeting (Sign-Off): 25 09 2025

Audit phases:

Planning w/c 13 01 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management
- Issue the Audit Plan to management and Audit, Risk and Assurance Committee

Interim w/c 17 02 2025

Key elements

- Review of key judgements and estimates
- Undertake payroll testing (first nine months of starters, leavers, changes in circumstances and payroll substantive analytic)
- Pension lump sum testing
- Other substantive areas (where appropriate to do so).

Final w/c 23 06 2025

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Completion September 2025

Key elements

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

The Audit Timeline - Logistics (2)

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 may 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, and;
- respond promptly and appropriately to all audit queries, within agreed timescales.

Our team and communications

Joanne E Brown
Engagement Lead
T: 0141 223 0848
E: Joanne.E.Brown@uk.gt.com

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

Hannah L McKellar
Audit Manager
T: 0131 659 8568
E: Hannah.L.McKellar@uk.gt.com

- Audit team management
- Resource management
- Wider scope and best value reporting

Lucy X Bell
Audit Assistant Manager
T: 0131 659 8512
E: Lucy.X.Bell@uk.gt.com

- Day-to-day point of contact
- Audit planning/interim
- Audit fieldwork

Pool of valuation specialists and other technical specialists (e.g. tax, VAT, IT audit)

	Service delivery	**Audit reporting**	**Audit progress**	**Technical support**
Formal communications	• Annual audit closure meeting	• The Audit Plan • The Annual Audit Report • Progress and Sector Update Reports	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues (where appropriate)

08 Fees and related matters

Our fee estimate

Our estimate of the audit fees we will charge is set out in the table across, along with the fees billed in the prior year.

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

We are required to consider all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate 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.

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

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to 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 Authority in January 2025. Audit fees will be 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. One area this relates to is the implementation of the new lease system, however, at this stage, until procedures are planned and undertaken, this can't be quantified.

Entity	Audit Fee for 2023/24	Expected fees for 2024/25
External Audit Remuneration	£231,050	£240,750
Pooled Costs	£2,470	£231,050
Sectoral Cap Adjustment	£57,630	£9,700
Total	**£291,150**	**£296,790**

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

Our fee assumptions:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Authority 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, including the Annual Governance Statement and Annual Report
- 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.

09 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no matters that we are required to report.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

No non-audit services provided by Grant Thornton UK LLP 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.

10 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Annual Audit Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Annual Audit Report will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

11 Delivering audit quality

Delivering audit quality (1)

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service.

By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting.

The engagement leader always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality (2)

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

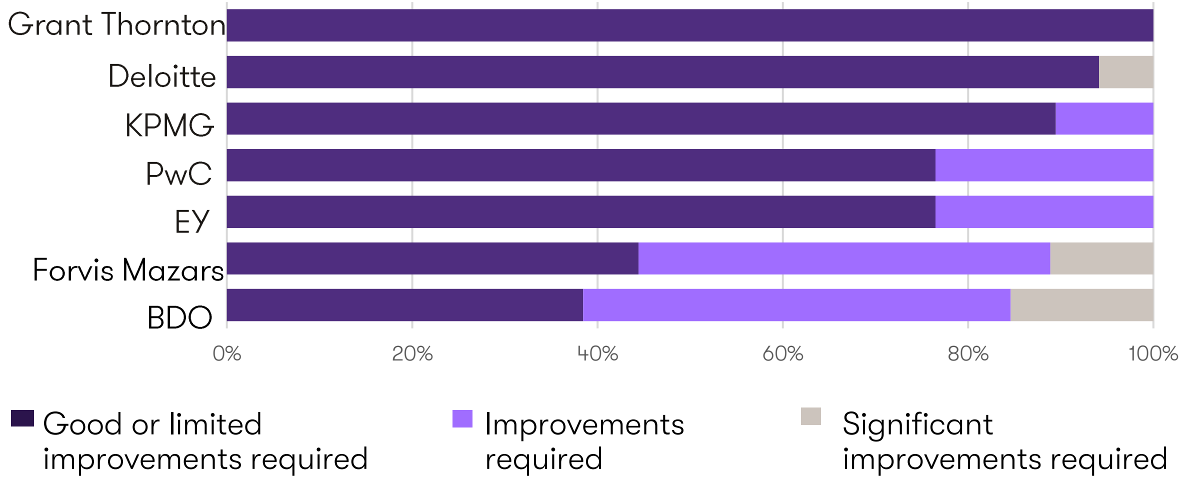
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Delivering audit quality (3)

Audit Quality Framework

The Audit Quality Framework (AQF) published by Audit Scotland sets out it's approach to achieving high quality public audit by all auditors and providers. The AQF is the framework used to provide the Auditor General and the Accounts Commission with robust, objective, and independent quality assurance, over the work conducted on their behalf by Audit Scotland and external firms. This work includes delivering the respective performance audit and Best Value work programmes and the annual audits of public bodies across Scotland's public sector.

Audit quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High-quality public audit provides the public, decision-makers, and politicians, with the assurance and information they need, and it helps Scotland's Parliament hold public bodies to account. This is more important than ever when public services face rising demand and tightening budgets

Annual Audit Quality Report

Audit Scotland's Audit Quality and Appointment (AQA) team prepares an annual Audit Quality Report to provide assurance on audit quality, including compliance with the Financial Reporting Council's Ethical Standard, to the Auditor General for Scotland and the Accounts Commission.

This annual report summarises the AQA's assessment of audit quality conducted on audit work, delivered by Audit Scotland and the six appointed firms (including Grant Thornton UK LLP) on behalf of the Auditor General for Scotland and the Accounts Commission on the 2022/23 audits. The report provides evidence that auditors have designed and implemented audit quality arrangements to assure the quality of their audit work and highlights areas for further improvement.

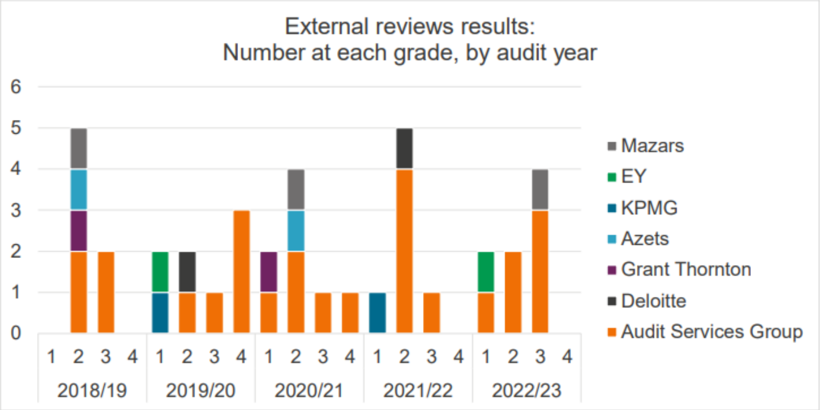
This report is available at [Quality of public audit in Scotland: Annual report 2023/24] and is published on annual basis.

Independent External Reviews

Independent external assurance offers the highest level of assurance to stakeholders. ICAEW replaced ICAS for 2021/22 independent reviews following a successful tendering exercise undertaken by Audit Scotland in 2022.

ICAEW review audit files to assess the quality of audit work and compliance with the International Standards on Auditing (UK), Financial Reporting Council's Practice Note 10 and Audit Scotland's Code of Audit Practice.

External reviews cover the firms and Audit Directors in Audit Scotland over a three-year cycle, with the external review results shown within the chart below for the last five financial years.



1 – *Good*: identified no areas for improvement of sufficient significance.

2 – *Limited Improvements Required*: identified one or more areas for improvement of limited significance.

3 – *Improvements Required*: identified one or more key findings requiring substantive improvements.

4 – *Significant Improvements Required*: identified significant concerns in one or more areas.

12 Appendices

Respective 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.

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 2024/25).

New or revised IFRS

The following IFRS Standards and amendments have been recently issued but have not yet been adopted by the FReM.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries. It has been effective in the UK since **1 January 2023**.

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are effective in the UK from **1 January 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are effective in the UK from **1 January 2026**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from **1 January 2027.**

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is effective in the UK from **1 January 2027**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

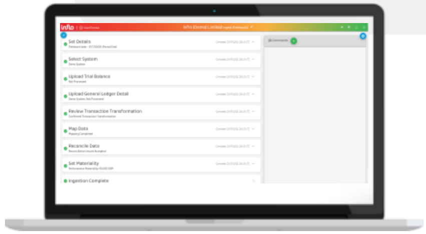
Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

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

02 Ingest

The general ledger and trial balance are uploaded into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.



03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focused approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement