



Clackmannanshire & Stirling Integration Joint Board

Planning report to the Audit & Risk Committee for the 2024/25 audit,
– Issued on 10 February 2025 for the meeting on 19 February 2025

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Introduction

I have pleasure in presenting our planning report to the Audit and Risk Committee (“the Committee”) of Clackmannanshire and Stirling Integration Joint Board (“the IJB”) for the 2024/25 audit. I would like to draw your attention to the key messages of this paper:

Audit approach

Materiality

The concept of materiality is fundamental to the audit. It is applied throughout the audit to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.

We have determined preliminary materiality of £5.856m (2023/24: £3.935m) for the 2024/25 audit. This represents 2% (2023/24: 1.4%) of expenditure. Based on the role of the IJB we selected expenditure as the most appropriate benchmark. The increase in materiality % based on the strong control environment, capable management in place, and no issues identified in the prior year's audits (this being our third-year audit).

Performance materiality has been set at £4.392m (2023/24: £2.951m), representing 75% (2023/24: 75%). We will report misstatements found in excess of £0.292m, or those below that threshold if we consider them qualitatively material.

Audit timetable

Our timetable is summarised on [page 17](#), we understand the financial statements are to be approved on 17 September 2025.

Controls

We do not plan to rely on any controls as part of our audit, although we will assess the design and implementation of key controls in relation to the significant risks in the audit.

Audit risks

We plan our audit of the financial statements to respond to the risks of material misstatement to transactions and balances and irregular transactions. Based on our initial risk assessment we have identified the following significant risk ([page 7](#)):

- Management override of controls.

We will update the Audit and Risk Committee on any changes.

Wider Scope and Best Value requirements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for the wider-scope areas on ([page 9](#)).

As part of this work, we will consider the arrangements in place to secure Best Value (BV).

Team

Following the retirement of Pat Kenny, I will be the audit engagement lead.

Ian Howse
Partner

Our audit explained

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Audit and Risk Committee

As explained further in the Responsibilities of the Audit and Risk Committee slide on [page 16](#), the Audit and Risk Committee is responsible for:

- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee or by the Board itself).
- Monitoring and reviewing the effectiveness of the internal audit function.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been or are being taken to remedy any significant failings or weaknesses.

Scope of work and approach

We have the following key areas of responsibility under the Code of Audit Practice

Opinion on Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") and the Code of Audit Practice on Local Authority Accounting approved by the Auditor General for Scotland. The IJB will prepare its accounts in accordance with the Applicable law and UK adopted international accounting standards, as interpreted and adapted by the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Reporting on other requirements

Our responsibilities also include:

- an opinion on the regularity of expenditure and income;
- an opinion on the audited parts of the Remuneration and Staff Report;
- under the Code of Audit Practice to read the information included in the Performance Report and the Governance Statement, and opine whether they are consistent with the financial statements; and
- In accordance with ISAs (UK) to read the other information accompanying the financial statements and report by exception any material misstatements we identify.

Our reporting will be addressed to the IJB, the Auditor General for Scotland, and the Scottish Parliament.

Wider-scope requirements, including considering and reporting on Best Value arrangements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in respect of:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

As part of this wider-scope audit work, we also are required to consider whether there are appropriate organisation arrangements in place to secure Best Value in public services. Our approach to our wider-scope audit work is detailed on [page 9](#).

Other reporting requirements

Anti-money laundering - We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances will be advised to Audit Scotland.

Fraud returns - We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies:

- Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control.
- Over £5,000.

Consolidation - We are required to provide assurance confirming consistency with the audited Annual Report and Accounts on the consolidation schedules included in the SG Consolidated Accounts.

Scope of work and approach (continued)

Our approach

Liaison with internal audit and local counter fraud

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and where they have identified specific material deficiencies in the control environment, consider adjusting our testing so that the audit risk is covered by our work.

Impact of your control environment on our audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Reliance on controls: Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I"), [page 19](#) summarises the controls we plan to examine. We do not take a controls reliance approach to our audit.

Performance materiality: We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate.

Given the positive findings from our previous audit, we have maintained the same performance materiality benchmark for the current year.

IT environment

A quality IT environment underpins a good control environment, particularly as IT controls are configurable and often preventative in nature. In the prior year our IT specialists concluded that the IJB's IT environment applicable to financial processes is simple in nature and none of our significant audit risk areas are impacted by IT systems.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards ("IFRS") disclosure checklists in conjunction with the requirements of the Code to support the IJB in preparing high quality drafts of the Annual Report and Accounts, which we would recommend the IJB complete during drafting.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Page no.
Risk 1 – Management override of controls					8

- Level of management judgement**
-  Limited management judgement
 -  A degree of management judgement
 -  Significant management judgement

- Controls approach adopted**
-  Assess design & implementation

Significant risks (continued)

Risk 1 – Management override of controls

Risk identified In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override the IJB's controls for specific transactions.

Due to the nature of the IJB accounts, with all expenditure transactions being processed through the respective partner bodies ledger, there are no key judgements or accounting estimates specifically identified in the IJB's Annual Accounts.

Under Auditing Standards there is also a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We have concluded that this is not a significant risk for the IJB as there is little incentive to manipulate revenue recognition with all revenue being from the three contributing partner bodies which can be agreed to confirmations supplied.

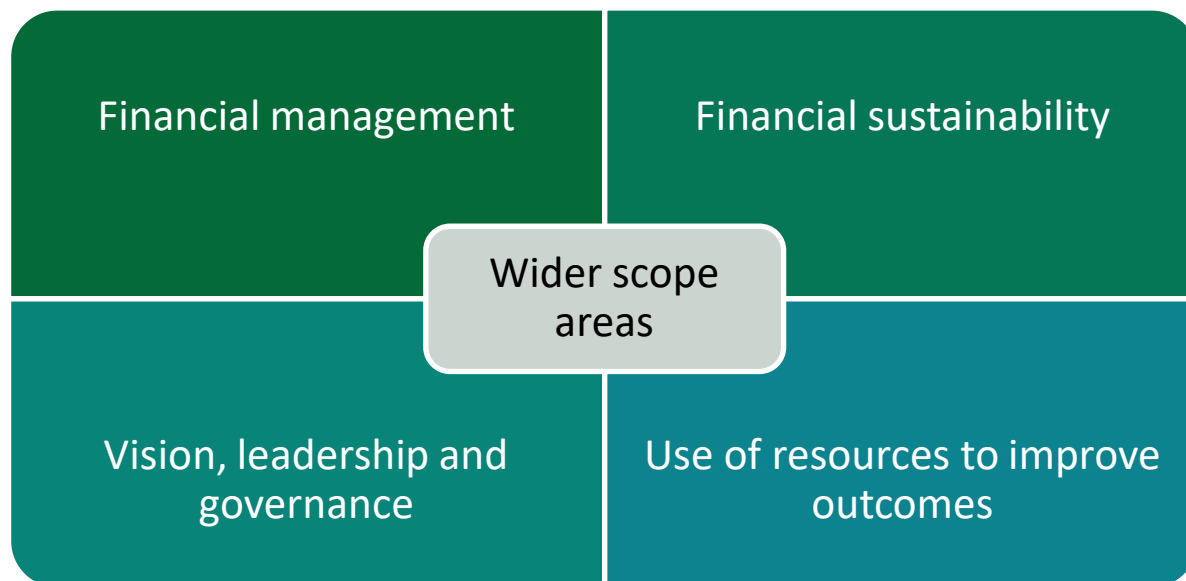
Our response In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will consider the overall control environment and 'tone at the top';
- We will review the design and implementation of controls relating to journals and accounting estimates;
- We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts . We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest.
- We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above.
- We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Wider scope requirements

Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In local government, public audit includes the audit of arrangements for, and performance of, the audited body's duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertake this duty in a way that is proportionate to the size and type of body. Our work on the wider-scope areas, discussed on pages [10](#) to [13](#) will contribute to our consideration of how the IJB demonstrates that it is meeting its Best Value responsibilities.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response on the following pages.

Wider scope requirements (continued)

Significant risks

Area	Significant risks identified	Planned audit response
Financial management	In our prior year audit, we concluded that the IJB continues to have effective budget setting and monitoring arrangements in place. We note that at month 6 (September 2024), The IJB was projecting a partnership outturn of £292.824m. This is a variance of £18.721m from the budget which was £274.103m. This is split between a projected overrun of £5.797m on the set aside budget; and a £12.924m overspend on the integrated budget. There is therefore a high risk of overspending in 2024/25 based on the current expenditure trends. Furthermore, financial resilience is scored 25, the highest possible score, in the IJBs Strategic Risk Register. Consideration of Internal Audit and assessing management's responses and actioning towards IA's recommendations is within this remit of this wider scope area. Our initial review of internal audit reports has highlighted a potential overpayment risk within Adult Social Care. Management has indicated that a progress report on this matter will be presented by the Chief Internal Auditor in February 2025. This situation presents both financial and reputational risks to the IJB and raises concerns about the operating effectiveness of related internal controls.	We will continue to review the financial management arrangements in place, including the capacity of the finance team. Management have informed us that further detail is now provided within IJB financial reports on reasons for non-achievement and/or under delivery. They have also informed us that further consideration required in terms of risks and future implications is being considered as part of the 2025/26 business case and revenue budget planning. We will assess these aspects in our wider scope work. We will review management's response to IA's findings and recommendations.

Wider scope requirements (continued)

Significant risks

Area	Significant risks identified	Planned audit response
Financial sustainability	There remains a risk that robust medium to long term planning arrangements are not in place to ensure that the IJB can manage its finances sustainably and deliver services effectively. In the prior year audit, we concluded that the balanced budget set for 2024/25 would deplete general reserves to nil and falling below the minimum required level as per the Reserves Policy. Additionally, we concluded that based on the IJB's high-level assessment of its medium-term financial outlook, there are significant funding gaps over the next 4 years. We therefore proposed that the IJB prepare and present a more comprehensive medium term financial outlook post publication of the Scottish Government's next Medium Term Financial Strategy and Medium-Term Financial Framework.	The Financial Report presented to the Board in November 2024 reveals a challenging financial situation for the IJB and its constituent authorities. From our review of the 25/26 business case, presented to the Board on 29 January 2025, we note that management has identified a projected overspend of £21.248 million on the integrated budget and an additional £5.798 million on the set aside budget. In response, the Board has requested management to prepare a detailed delivery plan and a three-year Medium-Term Financial Plan to address this financial gap by March 2025. These documents will be finalised in advance of the Scottish Government's deadline for the Medium-Term Financial Strategy and the revised Medium-Term Financial Framework for the Health and Social Care Portfolio in May 2025. We will assess the development of the 2025/26 budget and monitor the IJB's actions in respect of its medium- and longer-term financial plans to assess whether financial balance can be achieved.

Wider scope requirements (continued)

Significant risks (continued)

Area	Significant risks identified	Planned audit response
Vision, leadership and governance	We note that the consultation and consideration for approval by the partner bodies for the revised Integration Scheme was expected to happen by the end of 2024, with subject for approval to be presented to the Scottish Parliament in March 2025. Furthermore, a new Interim Chief Officer commenced her role in December 2024. We will assess their leadership change and approach to operational management. The IJB have approved the decision to combine the Finance and Performance Committee with the Audit and Risk Committee. Membership of the new Committee is being progressed by the entity.	We will review the work of the IJB and its Committees to assess whether the arrangements are operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making. As part of our audit on NHS Forth Valley, we will assess how it is responding to the actions taken against the Scottish Government escalation framework and the impact on IJB.
Use of resources to improve outcomes	Given the ongoing pressures across the health and care system, including issues on delays in patient discharge and workforce capacity, there is a risk that performance reporting has not been timely, reliable, balanced and transparent. There are also the longer-term uncertainties around the National Care Service.	We will review the performance reports presented to the IJB against the Strategic Plan to assess the extent to which they demonstrate a focus on continuous improvement. We will also assess how the IJB demonstrates use of resources to improve outcomes by the linkage between money spent and outputs and outcomes delivered. Management have informed us that the IJB received quarterly performance reports aligned to the Strategic Priorities. They have explained that further work is required in terms of developing and agreeing targets, and monitoring performance against them. We will also assess this.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope;
- Key regulatory and corporate governance updates, relevant to you

Use of this report

This report has been prepared for the Audit & Risk Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the IJB.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

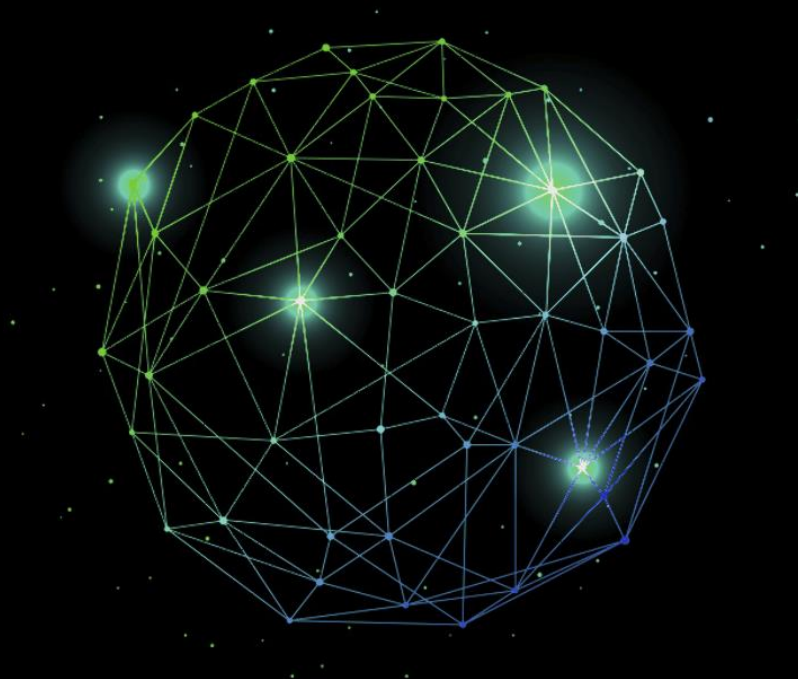
Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

Cardiff | February 2025

Appendices



Responsibilities of the Audit & Risk Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit & Risk Committee?

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit & Risk Committee has significantly expanded. We set out here a summary of the core areas of Audit & Risk Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit & Risk Committee in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

- Review the internal control and risk management systems (unless expressly addressed by separate risk committee).

- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

Oversight of external audit

Integrity of reporting

Internal controls and risks

Oversight of internal audit

Whistle-blowing and fraud

- Impact assessment of key judgements and level of management challenge.

- Review of external audit findings, key judgements, level of misstatements.

- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy.

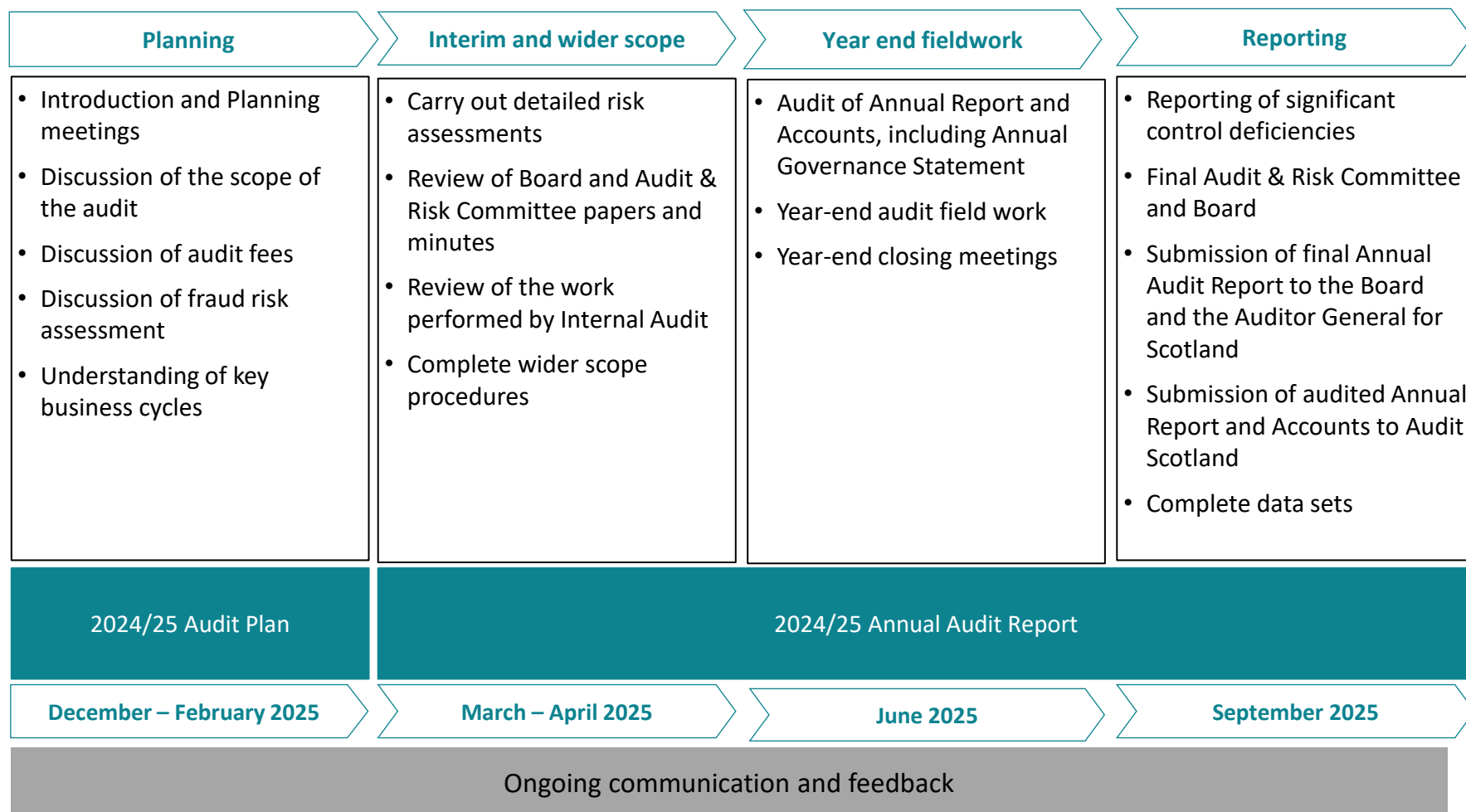
- Consider annually whether there is a need for an internal audit function and make a recommendation accordingly to the IJB.

- Monitor and review the effectiveness of the internal audit activities.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Continuous communication and reporting (continued)

Our key areas of responsibility under the Code of Audit Practice

Auditors activity	Planned output	Proposed reporting timeline to the Committee	Audit Scotland/ statutory deadline
Audit of Annual Report and Accounts	Annual Audit Plan Independent Auditor's Report Annual Audit Report	19 February 2025 17 September 2025 17 September 2025	31 March 2025 30 September 2025 30 September 2025
Wider-scope areas	Annual Audit Plan Annual Audit Report	19 February 2025 17 September 2025	31 March 2025 30 September 2025
Consider and report on Best Value arrangements	Annual Audit Plan Annual Audit Report	19 February 2025 17 September 2025	31 March 2025 30 September 2025

Your control environment (continued)

Design and Implementation of controls testing

The following have been identified as the key controls within the IJB which will be subject to D&I testing. We will assess the effectiveness of the design of controls and evaluate whether controls have been implemented as expected. Our testing will combine enquiry of key finance team staff and walkthroughs to demonstrate the controls taking place.

Control	Risk Addressed	Expected Timing of Testing
1. Approval of journal entries	Management override of controls	Finals
2. Monthly monitoring of financial performance	Management override of controls	Finals

Our approach to quality

Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

ISQM (UK) 1 sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

The effective ongoing operation of ISQM (UK) 1 has been and remains a key element of Deloitte's global audit and assurance quality strategy and of the UK firm.

Deloitte UK performed its second annual evaluation of its system of quality management as of 31 May 2024. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2024.

For further details surrounding the conclusion on the operational effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [Transparency Report](#).



Our approach to quality (continued)

FRC 2023/24 Audit Quality Inspection and Supervision report

Audit quality shapes our vision of the business we want to be, driving our priorities and defining our successes.

In July 2024, the Financial Reporting Council ("FRC") issued individual reports on each of the six largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2023/24 cycle of reviews. We value the observations raised by both the FRC Supervision teams and the ICAEW Quality Assurance Department ("QAD"), both in identifying areas for improvement and also the ongoing focus on sharing good practice to drive further and continuous improvement.

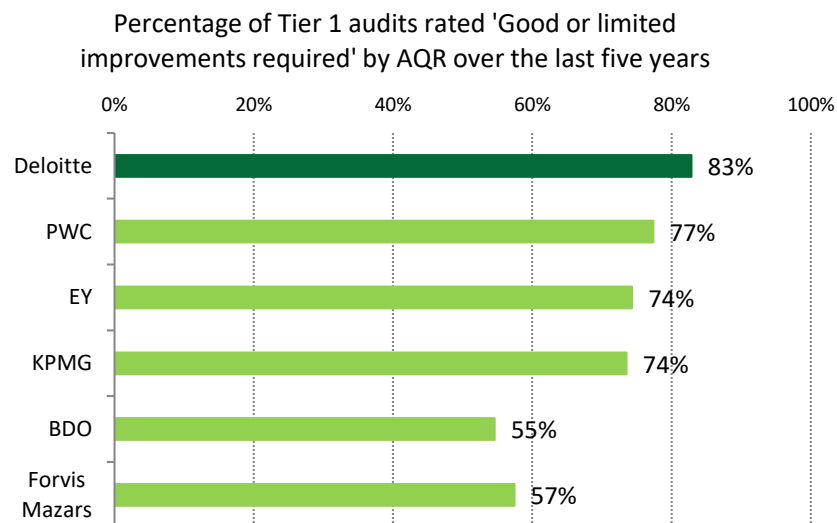
We are proud that the results of our FRC inspections show that 94% (2022/23: 82%) of our public interest audits were rated as 'good' or 'limited improvements' and that 100% (2023: 100%) of our audits reviewed by the ICAEW's QAD were assessed as good or generally acceptable.

These sets of results reflect the continuous investment we are making and our commitment to acting in the public interest to deliver confidence and trust in business through our high quality audits. We recognise we still have more we want to do to ensure that we consistently meet the high standards we expect of ourselves. We take inspection, system of quality management ("SoQM") and supervision focus areas seriously and place a significant level of resource and effort into understanding how we continually improve going forward.

We are pleased to see the positive impact of actions taken over the last 12 months to address findings raised by the FRC. We have a reduction in the number of key findings and none of the AQR findings from the 22/23 inspection cycle have recurred as key findings in this year's cycle.

We welcome the breadth and depth of good practice points raised by the FRC and ICAEW, particularly in respect of effective group oversight, contract accounting and the challenge of management, where we have continued to take action to support the high-quality execution of audit work.

All the AQR public reports are available on the [FRC's website](#).



Prior year audit adjustments

Uncorrected misstatements

There were no uncorrected misstatements identified in the prior year audit.

Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

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.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our other responsibilities explained (continued)

Fraud responsibilities

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the recently appointed Chief Officer.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the IJB and will reconfirm our independence and objectivity to the Audit & Risk Committee for the year ending 31 March 2025 in our final report to the Audit& Risk Committee.	
Fees	The expected fee for 2024/25, as communicated by Audit Scotland in January 2025 is analysed below:	
		£
	Auditor remuneration	36,890
	Audit Scotland fixed charges:	
	• Pooled costs	930
	• Contribution to PABV costs	7,080
	• Sectoral cap adjustment	(10,900)
	Total expected fee	34,000
	There are no non-audit fees.	
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the IJB's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.	
Relationships	We have no other relationships with the IJB, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.	

Sector developments

Audit Scotland: NHS in Scotland 2024 - Finance and performance

Background and overview

The NHS in Scotland faces significant financial and operational pressures. Despite a planned increase in health spending in 2024/25 to £19.4 billion, the NHS is struggling to meet growing demand and deliver timely, quality care. The report calls for fundamental change in how NHS services are delivered, highlighting the importance for strong leadership and a clear delivery plan to ensure the future sustainability of the NHS in Scotland.

Key Messages:

- Although the NHS budget is growing, it remains unsustainable which places excessive pressure on other public services. Staffing and prescribing costs are increasing which has resulted in cost pressures which NHS boards have had to manage. The risk of financial sustainability is heightened by the reliance on on-recurring savings which made up 63% of 2023/24 savings.
- Scotland's NHS boards are struggling to cope with increasing demand. Operational challenges such as increased waiting lists and waiting times are impacting patient care and hospital capacity.
- Fundamental change is needed in how NHS services are delivered, with a greater focus on prevention and care closer to home. Scotland's boards will have to make difficult decisions regarding transforming services.

Next steps

The full report is available at [NHS in Scotland 2024: Finance and performance](#).



AUDITOR GENERAL 

Prepared by Audit Scotland
December 2024

Sector developments (continued)

Fiscal sustainability and reform in Scotland

Key messages

- **Unsustainable Spending:** Current spending patterns are unaffordable, relying on short-term fixes that create long-term risks.
- **Widening Funding Gap:** A growing gap between spending and funding is projected, driven by rising demands in health, social care, and social justice.
- **Lack of Long-Term Vision:** The Scottish Government has not set out a clear vision for reform or a concrete plan to achieve fiscal sustainability.
- **Insufficient Leadership & Governance:** Weak governance arrangements and a lack of clear leadership are hindering the progress of public service reform.
- **Limited Transparency & Scrutiny:** Delays in publishing key financial strategies and insufficient public reporting are limiting transparency and scrutiny.
- **Unclear Impact of Reform:** The Scottish Government has not clearly articulated how reform will impact the affordability of public services or different groups in society.

Recommendations

- **Publish Medium-Term Strategies:** Immediately release financial and infrastructure strategies, including a transparent Fiscal Sustainability Delivery Plan outlining risks and management options.
- **Strengthen Public Service Reform:**
 - By Summer 2025, present a clear vision for reform, including its contribution to fiscal sustainability, cost implications, timelines, and impact assessments.
 - By end of 2024/25, embed new governance arrangements to support this vision.
 - By 2026/27 budget, improve data collection on reform savings, costs, and progress.
 - By September 2025, review and update mandate letters to align with reform priorities.
 - Integrate equalities and human rights considerations into reform decisions and report on progress by end of 2025.

Fiscal sustainability and reform in Scotland



AUDITOR GENERAL

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Sector developments (continued)

The National Fraud Initiative in Scotland 2024

Key messages

- Fraud remains a significant risk, costing taxpayers and undermining public trust. The NFI is crucial for proactive fraud detection and prevention, especially as public bodies navigate financial pressures.
- NFI efforts resulted in £21.5 million in savings and outcomes, a notable increase from previous years. However, this increase is partially attributed to improved recording practices and methodological changes, making it difficult to draw conclusions about underlying fraud levels.
- While NFI governance and follow-up arrangements are generally sound, there's room for improvement. Notably, resource constraints pose a challenge to effective follow-up on data matches.

Recommendations

- **Resource Allocation:** Ensure adequate resources are available for efficient and effective NFI follow-up activities, aligning with local priorities.
- **Planning & Self-Assessment:** Utilise the NFI Self-Appraisal Checklist during the planning phase for the 2024/25 exercise to identify and address potential areas for improvement.
- **Monitoring & Analysis:** Implement robust monitoring mechanisms for follow-up activities. Investigate and understand the reasons behind low or nil outcomes to enhance future NFI exercises.

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