

Annual Audit Report for Aberdeenshire Integration Joint Board

Financial year ended
31 March 2024

Prepared for those Charged with Governance and the
Controller of Audit

30 September 2024



Contents



**Your key Grant Thornton
team members are:**

Angela Pieri

Engagement Lead

T: 0161 214 6337

E: Angela.L.Pieri@uk.gt.com

Andrew Wallace

Audit Manager

T: 0141 223 0671

E: Andrew.D.Wallace@uk.gt.com

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

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of Aberdeenshire Integration Joint Board (IJB) and the preparation of the financial statements for the year ended 31 March 2024 for those charged with governance (the Audit Committee) and the Controller of Audit.

Financial Statements

Summary

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The IJB's financial statements give a true and fair view of the state of affairs of the IJB as at 31 March 2024 and of the income and expenditure of the organisation for the year then ended;
- the IJB's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code;
- the IJB's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

We have concluded that the Remuneration Report has been prepared in accordance with requirements.

We have concluded the work on the Governance Statement has been prepared in accordance with the relevant guidance.

We have concluded that the other information to be published alongside the financial statements is consistent with our knowledge of the IJB.

Draft financial statements

The draft financial statements were presented for audit on 28 June 2024, following the IJB authorising the financial statements on 26 June 2024. We have been supported by the IJB's officers during the audit process with effective working relationships and commitment to the audit process.

The working papers presented for audit were of a reasonable quality, however we have identified an area for improvement in future years. Any supplementary working papers, sample requests and queries were responded to effectively.

We have completed our we issued an unmodified opinion on 30 September 2024.

Executive Summary (2)

Financial Statements (continued)

Planning and interim audit

Our planning and interim audit was completed during February and March 2024. The target deadline for completion of an Audit Plan per Audit Scotland guidance was 31 March 2024. All of our audit planning work was completed prior to this deadline and we issued our 2023/24 Audit Plan to Audit Scotland prior to this date. It was not formally presented and approved by the IJB Audit Committee until 3 May 2024.

Misstatements and recommendations

Our audit work was substantially completed during August and September 2024. Our findings are summarised on pages 6 to 17. Appendix 1 sets out the agreed audit adjustments including disclosure amendments. We have identified no adjustments misstatement and one unadjusted misstatement to the financial statements during the course of the audit. Further detail is set out within [Appendix 1](#) including minor disclosure adjustments.

Our follow up of the recommendations made in the prior year audit are detailed in [Appendix 3](#). From our review of the five recommendations raised in 2022/23, two recommendations are now closed, one has been superseded and two remain ongoing.

We would like to take this opportunity to record our appreciation for the assistance provided by the Chief Finance and Business Officer and other staff in completing the external audit.

Wider Scope

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider the IJB's arrangements in respect of financial management, financial sustainability, vision leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2024, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified two risks in respect of financial sustainability and the IJB's governance arrangements.

We outline our work undertaken in response to the arrangements in place and the risks identified and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

Further details of the work undertaken are outlined on pages 19 to 35.

We have raised two recommendations for management as a result of our audit work on wider scope. These are set out in [Appendix 2](#).

There remains a significant risk in respect of financial sustainability given the significant financial challenges the IJB faces over the longer term.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year at Aberdeenshire IJB. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2023/24 have been:

- An audit of the IJB's annual report and accounts for the financial year ended 31 March 2024 [findings reported within this report];
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2021 ('the Code') [within this report];
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to the IJB throughout our audit work. We do this through using our wider public sector knowledge and we invited the IJB to our annual local government accounting workshop.

Through our expertise, we provide constructive, forward-looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

We set overall materiality at £9.562 million which represents 2% of the IJB's gross expenditure.

This has been updated from a planning materiality of £8.730 million which was reported in our Audit Plan. This is due to the significant movement in gross expenditure from the 2022/23 value, upon which planning materiality had been based.

Key audit matters

There were no key audit matter identified.

Significant risks

The significant risks were identified as:

- Management override of controls (ISA (UK) 240)

Internal control environment

In accordance with ISA requirements, we have developed an understanding of the IJB's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature.

In accordance with ISAs, over those areas of significant risk of material misstatement, we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing.

Recap of our audit approach and key changes in our audit strategy

There has been no change to our anticipated audit approach from our Audit Plan.

Status of Audit Work

Our work is complete and we issued an unmodified audit opinion on 30 September 2024.

This Annual Audit Report was presented to the IJB Audit Committee meeting on 30 September 2024.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applied not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our Audit Plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2023/24 draft financial statements and concluded that materiality is £9.562 million representing 2% of Aberdeenshire IJB's gross expenditure. This has been updated from a planning materiality of £8.730 due to the significant movement in gross expenditure from the 2022/23 value, upon which planning materiality had been based.
- Performance materiality was set at £7.172 million, representing 75% of our calculated materiality.
- We report to Officers (Management) any differences identified over £478,100.
- We applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Officer and Board Member Remuneration Tables due to the sensitive nature of this disclosure, the lower materiality applied to this area was £0.025 million.

Materiality and performance materiality for financial statements as a whole

Headline Materiality threshold

Overall materiality has been set at £9.562 million which represents 2% of the IJB's gross expenditure.

Performance Materiality threshold

Performance materiality for the year has been set at £7.172 million which represents 65% of financial statement materiality.

Significant judgements made by auditor in determining the materiality

The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.

Significant revision(s) of materiality threshold that were made as the audit progressed

We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2024 and adjusted our audit procedures accordingly.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Aberdeenshire IJB and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2023/24 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, concerning the IJB's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the IJB's financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls which our audit methodology incorporates as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB. Our audit procedures are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - Aberdeenshire IJB's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The IJB's control environment, including the policies and procedures implemented by the organisation to ensure compliance with the requirements of the financial reporting framework.

Overview of audit risks

The table below summarises the key audit matters and significant risks discussed in more detail on the subsequent pages. The status of the work is noted after any amendments identified during the audit process to the financial statements have been actioned by the IJB.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work
Management override of controls	Significant	↔	✓	✘	Low	Substantive	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not considered likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Significant risks and Key Audit Matters (1)

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the IJB's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

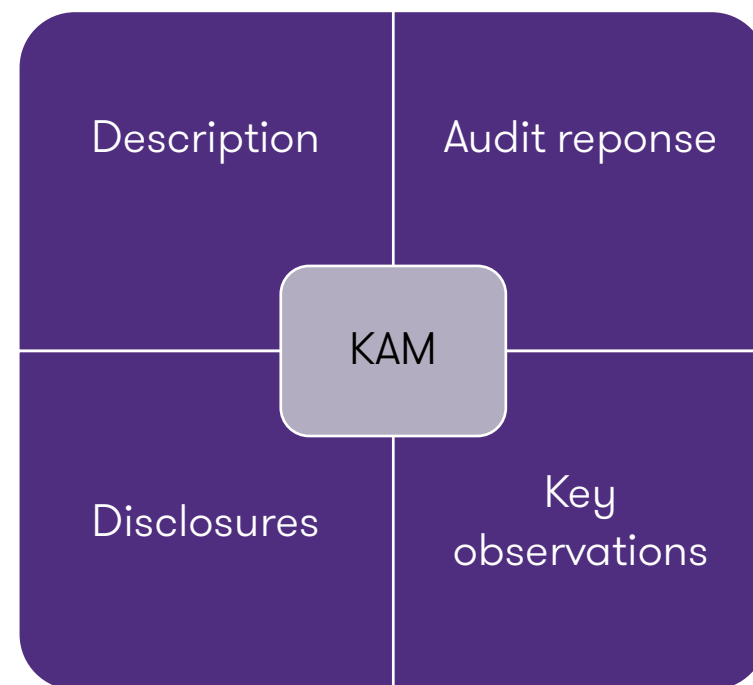
These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters identified.

Other risks

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit. There were no other risks identified as part of our procedures.



Significant risks and Key Audit Matters (2)

Other significant risks identified in our Audit Plan

Commentary

Risk 1: Management override of controls

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

We have considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures and planning inquiries with management. In doing this work, we have concluded there are no significant estimates and judgements within the Annual Report and Accounts. This is appropriately disclosed within the IJB's accounting policies and in line with our understanding of an IJB organisation.

Across our public sector clients, we look to understand and test the control environment over journals including target testing journals on a risk assessment basis to ensure no management override of control that could result in fraud or material error. Therefore, we have:

- documented our understanding of and evaluated the design effectiveness of management's key controls over journals within Aberdeenshire Council and NHS Grampian;
- considered our journals testing within the NHS and the Council (as the external auditor of both organisations);
- understood how the IJB accounts were produced and whether there is an opportunity or incentive for management to override controls to show an improved IJB financial performance through financial reporting;
- gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness;
- gained an understanding of the key accounting estimates made by management and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our results

Based on the audit procedures performed, we found that there was no evidence of management override of controls. We have placed reliance upon the journals work completed on the Aberdeenshire Council and NHS Grampian audits where no significant issues were identified that would impact our audit of the IJB. As the IJB's financial statements are prepared by merging the relevant transactions from Aberdeenshire Council and NHS Grampian, we have agreed the figures to underlying joint ledger reports to confirm accuracy and completeness.

We did not identify indication of fraud or inappropriate management bias that could result in a material misstatement.

Significant risks and Key Audit Matters (3)

Other significant risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions

As set out in ISA (UK) 240 (Revised May 2021), 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)

Auditing standards require us to consider the risk of fraud in revenue. This is considered a presumed risk in all entities.

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

As part of our work on material transactions and balances, we have agreed revenue balances to assurance letters provided confirming the balances at NHS and Council level as well as an assessment of the income recognition accounting policies and relevant disclosures.

Our results

Our work has not identified any issues to raise in relation to revenue recognition.

Risk of fraud in expenditure

As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

(rebutted)

Having considered the risk factors set out in PN10 and the nature of the expenditure streams at Aberdeenshire IJB, we have determined that the risk of fraud arising from expenditure recognition can be rebutted as opportunities to manipulate expenditure recognition are deemed to be limited.

As part of our work on expenditure, we we have agreed revenue balances to assurance letters provided confirming the balances at NHS and Council level. We have also reviewed expenditure recognition accounting policies and relevant disclosures.

Our results

Our work has not identified any issues to raise in relation to expenditure recognition.

Financial Statements – key judgements and estimates (1)

As required in the IJB's Accounting Policies note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
None	The note within the IJB accounting policies (Note 3 Critical Judgements and Estimation Uncertainty) confirms there are no judgements or estimates within the IJB accounts.	We have confirmed there are no significant estimate or judgements within the IJB annual reports and accounts.	Not Applicable

Other key elements of the financial statements (1)

As part of our audit, there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is the IJB's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding the IJB's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures that are outside of the usual expected investigations.
Accounting practices	We have evaluated the appropriateness of Aberdeenshire IJB's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix 1 .
Matters in relation to related parties	We are not aware of any other related parties or related party transactions which have not been disclosed. The only related parties are Aberdeenshire Council and NHS Grampian.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at the IJB.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor amendments have been made to the Annual Report and we are satisfied that there are no material inconsistencies to report. As these are minor, they do not warrant separate reporting.

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	<p>We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016). No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect.</p> <p>Minor improvements can be made to the Statement, and these have been noted within Appendix 1.</p>
Matters on which we report by exception	<p>We are required to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective.</p> <p>We have nothing to report in respect of these matters.</p>
Written representations	<p>A letter of representation has been requested from the Integration Joint Board as required by auditing standards. This can be found as a separate item to this report.</p> <p>We have not requested any additional specific representations in this letter. The unadjusted misstatement from Appendix 1 is included in the letter of representation.</p>
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Integration Joint Board meets this criteria, and so we have applied the continued provision of service approach.</p> <p>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle–Aberdeenshire Council’s general ledger	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	All significant risk areas
eFinancials – NHS Grampian’s general ledger	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	All significant risk areas

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

**Wider scope and best value
conclusions**

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope audit dimensions. We take a risk-based audit approach to wider scope. Within our audit plan we identified two wider scope risks in relation to financial sustainability and governance arrangements.

As part of our ongoing audit planning audit work during the year, we have not identified any additional wider scope audit risks.

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>No significant risks identified.</p>	<p>IJBs' Financial Management Arrangements</p> <p>The IJB's financial performance is reported to the Board as an integral part of the budget monitoring process. It compares assumptions that were used to develop the budget to actuals during the year. Where assumptions are determined unrealistic or changes significant from budget, this is captured, and actions will be identified to resolve any adverse variances.</p> <p>Members are provided with the opportunity to review, challenge and scrutinise the financial performance. The finance team have access to real time information through the finance ledger systems within Aberdeenshire Council and NHS Grampian to provide accurate financial monitoring reports.</p> <p>Aberdeenshire IJB will commission services from Aberdeenshire Council and NHS Grampian. The IJB have a Governance Handbook with the contents including the Standing Orders, Scheme of Delegation and Financial Regulations however, the partner organisations financial documents will also be followed.</p> <p>Finance Team</p> <p>Individuals involved in the preparation and reporting of financial information are qualified and experienced and held finance positions at the organisation for a number of years. Given the nature of the IJB and how it operates, the finance team is relatively small, and if staff shortages or sickness arise, the organisation could face capacity issues.</p>	<p>Our review of financial monitoring reports during the year did not identify any significant issues.</p> <p>We have not identified any issues regarding the skills and capability of finance staff within the organisation.</p> <p>Overall, we are satisfied that the IJB have appropriate financial management arrangements in place.</p>

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial management (continued)		<p>Financial Performance</p> <p>The 2023/24 Revenue Budget Report was presented to Aberdeenshire IJB Board on 29 March 2023. The budget was set at £393.5 million, with set aside budget of £32.3 million. The total funding for the year was £390.4 million, meaning the IJB was forecasting a budget deficit of £3.050 million. The IJB intended to manage the deficit through the use through the use of general reserves.</p> <p>There were new pressures in year (including workforce and pay uplifts, winter recruitment, social care uplifts and out of area packages) of £24.1 million which exceeded new funding being made available to the IJB by £7.8 million. This meant that the IJB needed to achieve efficiency savings of £4.7 million in 2023/24 to achieve financial balance.</p> <p>During the year, due to the revisions to the budget, the revised 2023/24 budget was £426.398 million. However, the actual financial outturn for 2023/24 was £453.474 million meaning there was a £27.075 million overspend, which equated to 6.35% of the budget. This could be broken down as:</p> <ul style="list-style-type: none"> • health and social care budgets overspend of £21.672 million • funds overspend of £5.403 million <p>This overspend was funded through the use of the entire general fund reserve balance of £16.929 million. The partner bodies also required to provide additional funding, with NHS Grampian providing £5.754 million and Aberdeenshire Council providing £4.392 million. This meant that a break-even position was achieved in 2023/24</p> <p>All revisions to the budget were clearly stated in the finance monitoring reports.</p>	<p>The level of overspend in 2023/24 was significant and the IJB needed to utilise all remaining reserves balances to manage the deficit. The lack of reserve balances moving forward will have a significant impact on the partner authorities, who will need to provide additional funding should the IJB overspend in year.</p>

Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Financial Sustainability</p> <p>Financial sustainability looks forward to the medium to longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered</p>	<p>Significant risk identified in relation to future financial plans for 2023/24 and beyond</p>	<p>Budgeting</p> <p>Aberdeenshire IJB's main sources of funding comes from the contributions received from the two partner authorities. The IJB undertakes an annual budget process which forms part of the wider medium-term strategy. This includes discussions taking place between management, Aberdeenshire Council and NHS Grampian regarding funding requirements.</p> <p>The Aberdeenshire Integration Joint Board Revenue Budget for 2024/25 was approved by the Board in March 2024 and totalled £415.6 million. This includes £34.5 million for set aside services which represents Aberdeenshire's share of the Large Hospital Services. The total funding provided totals £415.6 million, meaning the IJB were predicting a break-even position for 2024/25.</p> <p>A revised budget was approved at the Board meeting held in August 2024, with a total budget of £419.488 million agreed for the IJB.</p> <p>At the same Board meeting, the IJB presented detailed forecast projections for the remainder of 2024/25. This confirmed that the IJB are forecasting a significant budget deficit of £26.2 million (6.2% of the IJB budget) for financial year 2024/25. The IJB have no existing reserves to manage this deficit, and it will fall on the partner authorities to provide additional funding in order to manage the overspend position.</p> <p>Medium Term Financial Strategy</p> <p>Aberdeenshire IJB approved the Medium-Term Financial Strategy (MTFS) as part of the 2024/25 Revenue Budget. The MTFS spans a five-year period to 2028/29 and is reviewed on an annual basis as part of the budget setting process.</p>	<p>The IJB are projecting a significant overspend in 2024/25 and partner authorities will be required to provide additional funding in order to balance the budget.</p>

Wider scope audit (4)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion												
Financial sustainability (continued)		<p data-bbox="347 343 1019 383">Medium Term Financial Strategy (continued)</p> <p data-bbox="347 383 1758 574">The 2024/25 budget identified that that the IJB had new cost pressures of £31.8 million. This exceeded new funding being made available to the IJB by £20 million. The IJB identified savings and mitigations of £12.5 million to reduce the funding gap, but still require to achieve additional savings of £7.5 million in 2024/25 to achieve financial balance. This meant that the agreed 2024/25 budget was set with a budget deficit of £7.5 million.</p> <table border="1" data-bbox="392 614 1691 1093"> <thead> <tr> <th></th> <th>Savings Identified £000</th> </tr> </thead> <tbody> <tr> <td>Savings</td> <td>8,400</td> </tr> <tr> <td>Pension Contribution Reduction</td> <td>2,100</td> </tr> <tr> <td>Transformational</td> <td>1,000</td> </tr> <tr> <td>GP Prescribing Efficiencies</td> <td>800</td> </tr> <tr> <td>Fees and Charges Increase</td> <td>200</td> </tr> </tbody> </table> <p data-bbox="347 1157 1758 1348">The IJB presented detailed forecast projections for the remainder of 2024/25 to the August 2024 Board meeting. The report supporting the forecast confirmed that the IJB have identified £2.053 million of the additional savings required in 2024/25, meaning a further £5.447 million still needs to be identified before the end of the financial year. The IJB have implemented a Budget Oversight Group to monitor savings delivery during the year.</p> <p data-bbox="347 1388 1758 1492">The IJB is currently forecasting a budget deficit of £26.2 million for financial year 2024/25 (6.2% of the IJB budget). The IJB have no existing reserves to manage this deficit and it will fall on the partner authorities to provide additional funding in order to manage the overspend position.</p>		Savings Identified £000	Savings	8,400	Pension Contribution Reduction	2,100	Transformational	1,000	GP Prescribing Efficiencies	800	Fees and Charges Increase	200	<p data-bbox="1769 343 2184 877">The IJB need to find an unprecedented level of savings in 2024/25 in order to balance the budget. The 2024/25 budget contained £7.5 million of unidentified savings when approved by the board. All savings plans should be agreed prior to the start of the financial year, and progress towards achievement of savings monitored throughout the year.</p> <p data-bbox="1769 885 2184 1037">An action plan recommendation has been raised in Appendix 2 around savings plans.</p> <p data-bbox="1769 1077 2184 1348">The IJB are predicting a significant overspend in 2024/25. This will put further strain on partner authority budgets as there is no reserves balances to help manage the funding gap.</p>
	Savings Identified £000														
Savings	8,400														
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Wider scope audit (5)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion																														
Financial sustainability (continued)		<p>Medium Term Financial Strategy (continued)</p> <p>The MTFS identifies that the funding gap to 2028/29 rises to approximately £57 million if funding levels and demand for services continue on current trends. This equates to an annual requirement of the need to identify circa £11.4 million of new cash releasing savings each year over the next five years, equivalent to 2.7% of the total IJB budget. The financial pressures for 2024/25 and beyond are significant.</p>	<p>Reducing the underlying overspend in future years will be challenging and the IJB have no existing reserves to manage overspends in future years. They will be reliant on additional funding being provided by the partner organisations.</p> <p>To achieve financial sustainability, the IJB will need to identify and deliver significant savings and transformation to reduce funding gaps and continue to deliver key services and IJB priorities. There is a risk that where savings and transformation plans are not delivered, this could provide financial sustainability challenges for the IJB in the short to medium term and impact the reserves of the partner authorities.</p> <p>We raised a recommendation in the prior year audit in relation to financial sustainability. This matter remains a live issue, and we have included details of management's action during 2023/24 and our conclusion in Appendix 3.</p>																														
		<table border="1"> <thead> <tr> <th></th> <th>2024/25 £'000</th> <th>2025/26 £'000</th> <th>2026/27 £'000</th> <th>2027/28 £'000</th> <th>2028/29 £'000</th> </tr> </thead> <tbody> <tr> <td>Total Estimated Expenditure</td> <td>415.607</td> <td>431.925</td> <td>434.907</td> <td>437.976</td> <td>441.135</td> </tr> <tr> <td>Total Funding</td> <td>415.607</td> <td>418.182</td> <td>420.834</td> <td>423.556</td> <td>426.380</td> </tr> <tr> <td>Financial Challenge</td> <td>-</td> <td>13.743</td> <td>14.073</td> <td>14.410</td> <td>14.755</td> </tr> <tr> <td>Cumulative Funding Gap</td> <td>-</td> <td>13.743</td> <td>27.816</td> <td>42.226</td> <td>56.981</td> </tr> </tbody> </table>			2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Estimated Expenditure	415.607	431.925	434.907	437.976	441.135	Total Funding	415.607	418.182	420.834	423.556	426.380	Financial Challenge	-	13.743	14.073	14.410	14.755	Cumulative Funding Gap	-	13.743	27.816	42.226	56.981
		2024/25 £'000		2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000																										
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		<p>The existing MTFS was based on a funding gap of £Nil in 2024/25. The IJB are predicting an overspend in 2024/25 of £26.2 million and an overspend of such significant proportion in 2024/25 could have further implications and indicate that the cumulative funding gap over the medium term is an excess of the £57 million indicated as part of the MTFS. The IJB will need to reassess the position over the longer-term to confirm whether the funding gap has grown wider in the months since the budget and MTFS was agreed.</p>																															

Wider scope audit (5)

Wider scope dimension

Plan risk

Wider scope audit response and findings

Conclusion

Financial sustainability (continued)

Reserves

Reserves are a key performance indicator of monitoring the financial health of a body. At 31 March 2024, both the IJB's general reserve balance and earmarked reserves had reduced to £Nil. The IJB utilised all of its reserves balances during 2023/24 in order to fund the overspend during 2023/24. The table below outlines the movement in reserves during 2022/23:

	General Reserves £'000	Earmarked Reserves £'000	Total £'000
As at 31 March 2023	3,298	13,631	16,929
Transferred In	-	-	-
Transferred Out	(3,298)	(13,631)	(16,929)
Balances at 31 March 2024	Nil	Nil	Nil

The current financial challenges mean the IJB will not be maintaining a reserve for future use and do not expect to be able to build up existing reserves over the medium term. In recent years, the IJB have been reliant on using earmarked reserves in order to meet its funding gaps. This will no longer be an option as the reserves balance has reduced to £Nil. This emphasizes the importance of delivering on saving plans and any overspends that arise will need to be funded by the relevant partner organisation.

The IJB will need to prioritise and focus on transformation to ensure that it can achieved a balanced budget in future years, which will limit the additional funding contributions required from the partner authorities.

The level of reserves has reduced to £Nil which emphasises the need for saving and transformation plans to be implemented and achieved. Any overspends will require additional funding to be agreed and provided by the partner organisations.

We raised a recommendation in the prior year audit in relation to financial sustainability. This matter remains a live issue, and we have included details of management's action during 2023/24 and our conclusion in Appendix 3.

Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		<p>Transformation Plans</p> <p>The increase in the cumulative funding gap position in the next five years is significant and outlines serious concerns over the future financial sustainability of the IJB where additional funding is not provided or where the IJB does not operate within its funding allocation. This creates a risk, as Aberdeenshire IJB will have to balance ensuring that it maintains financial sustainability with ensuring that it continues its service delivery to meet its priorities.</p> <p>To reduce the current funding gap, a major transformation programme will need to be undertaken. The IJB has recognised the fact that it will require transformational redesign to reduce future funding gaps and reshape the organisation to ensure efficient service delivery and notes that services will have to be transformed and recalibrated to meet demographic, workforce and infrastructure factors, resulting in significant changes for the IJB, its partners and the population of Aberdeenshire. The IJB have noted that these changes, will require working together to focus on limited resources on offering services which are sustainable over the longer term and are targeted at those with the greatest need.</p> <p>Substantial transformation is required to bring about financial sustainability. The size and scale of transformation required to deliver the savings and efficiencies required to close the projected funding gap is unprecedented. It is important that IJB members have oversight of the transformation programme to ensure the savings and efficiencies required to reduce future funding gaps can be delivered.</p>	<p>To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased income and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.</p> <p>We raised a recommendation in the prior year audit in relation to financial sustainability. This matter remains a live issue, and we have included details of management's action during 2023/24 and our conclusion in Appendix 3.</p>

Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		<p>Audit Scotland Review of Integration Joint Boards</p> <p>In July 2024, Audit Scotland published “Integration Joint Boards’ - Finance and Performance 2024” which provided an independent analysis over the performance of Integration Joint Boards.</p> <p>The review highlighted that Integration Joint Boards (IJBs) face a complex landscape of unprecedented pressures, challenges and uncertainties. It noted that financial pressures arising from rising inflation, pay uplifts and Covid-19 legacy costs are making it difficult to sustain services at their current level and, collaborative, preventative and person-centred working is shrinking at a time when it is most needed. It also confirmed that across Scotland, the workforce is under immense pressure and that there are difficulties in recruiting and retaining a skilled workforce.</p> <p>Several items raised in the Audit Scotland report are consistent with the issues that Aberdeenshire IJB are facing and there is an understanding that shape of service delivery will have to change in order to deliver services in a more sustainable manner.</p>	<p>Aberdeenshire IJB are facing several of the issues raised in the Audit Scotland report and are reviewing how they can provide services in a more sustainable manner.</p>

Wider scope audit (7)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Vision, Leadership and Governance</p> <p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Significant risk identified in relation to governance arrangements</p>	<p>Leadership and Committee Effectiveness</p> <p>Aberdeenshire IJB hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. There are currently three different committees; the Board, the Audit Committee and the Clinical and Adult Social Work Governance Committee.</p> <p>The Audit Committee undertakes the role of Those Charged with Governance (TCWG) and looks to consider reports and obtain assurance through internal and external audit reports concerning the IJB's functions. The Committee also obtains assurance over performance monitoring and receive reports on the performance of and trends within the IJB's services in terms of service standards and performance information.</p> <p>Monitoring of action plan progress and service performance in key areas is reported to ensure a process of continuous improvement. During 2023/24, the IJB have implemented an annual self-evaluation review for both the IJB and the IJB Audit Committee. The results of the self-evaluation were reported the Board in March 2024 and the IJB intend to develop an action plan to assist continuous improvement and succession planning.</p> <p>Governance Statement</p> <p>The Governance Statement details the composition and governance structure of Aberdeenshire IJB and how that supports the achievement of the organisation's priority themes. From review of the Statement, we are satisfied that it reflects the key findings from audit, scrutiny and inspection.</p>	<p>Our review of attendance of members at Committee meetings has not flagged any issues. We are satisfied that the governance arrangements are appropriate and operate effectively.</p> <p>We conclude that the Audit Committee effectively challenge and scrutinise reports presented and ensure effective decision making.</p>

Wider scope audit (8)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Risk Management</p> <p>The organisation maintains a strategic risk register which sets out the inherent risks being faced by Aberdeenshire IJB, together with a current assessment on the level of the risks and mitigating actions being taken to reduce the impact of the risks. This report is presented to the Audit Committee for their oversight and comment.</p> <p>Any changes made to the risk register since it was last presented to the Committee are easily identifiable and are highlighted to members. Risk scores are weighted, based on assessment according to their likelihood and corresponding impact. There are currently 17 risks identified on the risk register, which covers risks across numerous areas such as sufficiency and availability of resource, health and social care policy alignment and workforce capacity. Of the 17 risks identified, there is currently four rated as high risk and work is ongoing to reduce to an acceptable level.</p> <p>Internal controls</p> <p>The IJB has in place a range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders contained within the Governance Handbook.</p> <p>Aberdeenshire IJB does not have its own separate code of conduct, whistleblowing or fraud policies and follows those set out by the partner organisations.</p>	<p>We are satisfied that the key risks have been identified and that the pace of improvement is appropriate to the risks and challenges facing Aberdeenshire IJB.</p> <p>The IJB has in place a wide range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. Our review of these policies have found the policies to be comprehensive, current and promoted within the organisation.</p>

Wider scope audit (9)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Internal Audit</p> <p>Internal audit activity is undertaken by the Chief Internal Auditor of Aberdeenshire Council. Internal audit undertook the following reviews during the financial year:</p> <ul style="list-style-type: none"> • Criminal Justice (HSCP) – Reasonable assurance opinion • Social Care Commissioning (HSCP) – Reasonable assurance opinion • Self-Directed Support (HSCP) – Limited assurance opinion over the Council’s Self-Directed Support (SDS) arrangements. Reasonable assurance opinion was provided over the following aspects of the Council’s self-directed support process: Supported Persons Agreement and Payment Accuracy. • IJB Asset Management (IJB) – Reasonable assurance opinion <p>Internal Audit provided an overall assurance opinion for the 2023/24 financial year of reasonable assurance. The internal audit opinion notes that “After consideration of the results of the work carried out by Internal Audit, taken together with other sources of assurance, in my opinion the Board had an adequate and effective framework for Governance, Risk Management and Control, covering the period 1 April 2023 to 31 March 2024.”</p> <p>The Audit Committee received update reports from internal audit on a regular basis which outlined the work undertaken in the period since the prior Committee. These were provided alongside any outcomes of follow up audits and the results of any new audits undertaken. This provides Audit Committee members the opportunity to gain assurance that internal controls are operating as expected.</p> <p>During 2023/24, the IJB reviewed the backlog internal audit recommendations that were outstanding, closing off approximately 106 recommendations. As at 31 March 2024, there were ten outstanding recommendations.</p>	<p>The IJB have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls.</p>

Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Internal Audit (continued) From our review of internal audit reports and Audit Committee minutes, we have not identified any evidence of significant gaps in the assurance obtained by the Audit Committee in relation to the work programme undertaken.</p> <p>In the prior year audit, we raised a recommendation that the IJB should ensure that both internal and external audit recommendations are properly monitored for implementation and audit recommendation dates are realistic when set.</p> <p>During 2023/24, the IJB have introduced an internal audit recommendation tracker which is reported to the Risk & Assurance Group. The Audit Committee is provided an update on progress towards implementation of the audit recommendations at each meeting however the tracker is not formally presented. Furthermore, the current tracker only contains internal audit recommendations and should be extended to include external audit recommendations</p> <p>External Inspections There are various inspections involving IJB and partner functions in any period. Below is a summary of the outcomes of two such reviews; Inspection of Prison Management and Operational Delivery, including Health Care Services and the Inspection of Aberdeenshire’s Adult Protection Partnership.</p> <p>A review was conducted by His Majesty’s Inspectorate of Prisons for Scotland (HMIPS), covering various aspects of prison management and operational delivery, including health care services.</p> <p>The final inspection report is expected at the end of September, with detailed recommendations for prison health care. A collaborative approach involving practitioners and partners is being taken to develop and implement improvement actions. This includes forming an Operational Management Oversight Group to oversee the health centre work plan.</p>	<p>The IJB should ensure that the tracker of internal and external audit recommendations is reviewed periodically and reported to each Audit, Risk & Performance Committee meeting.</p> <p>An action plan recommendation has been raised in Appendix 2.</p>

Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>External Inspections (continued)</p> <p>There has also been an Inspection of Aberdeenshire’s Adult Protection Partnership</p> <p>The inspection concentrated on two main areas; Key Processes and Leadership. The partnership was found to be effective, with strengths in supporting positive experiences and outcomes for adults at risk of harm. Improvements since the last inspection in 2017 were recognized.</p> <p>The Aberdeenshire Adult Protection Committee (APC) has produced an improvement plan based on the inspection findings and feedback from various stakeholders. This plan was submitted to the Care Inspectorate, Health Improvement Scotland, and His Majesty’s Inspectorate of Constabulary (Scotland) in May 2024. The improvement plan will be monitored by the APC.</p>	<p>Improvement Plans developed/in development following two external inspections over services delivered by the IJB and its partners. Improvement Plans will be monitored to ensure actions are implemented.</p>

Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Use of Resources Bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness with financial and other resources and reporting performance against outcomes.</p>	<p>No significant risks identified.</p>	<p>Strategic Plan and Performance Reporting The vision of the Strategic Plan is clearly set out as “building on a person’s abilities, we will deliver high quality person-centred care to enhance their independence and wellbeing in their own communities” and the strategic priorities are centred around five key headings; prevention and early intervention, reshaping care, engagement, tackling inequalities and public protection and effective use of resources.</p> <p>The Strategic Plan is due for a refresh in 2025 and the IJB are undertaking a review of its strategic priorities. A Joint Strategic Needs Assessment (JSNA) was undertaken in 2023/24 and presented to the Board in May 2024. This assessment provides an analysis and forecast of the health and social care needs of the Aberdeenshire population which will be used to inform the development of the next iteration of the Strategic Plan.</p> <p>In the second half of 2024, the IJB will be actively engaging with the Community in setting the priorities for future years. Engagement activity will have a ‘Place’ focus and will be delivered in collaboration with IJB partners. This is a new approach to engagement with communities for the IJB and it supports Getting It Right For Everyone (GIRFE) by adhering to the principles of listening, empowering, collaborating, information sharing and targeting early intervention.</p>	<p>The IJB should ensure it actively engages with its community in order to understand key areas of focus for setting new priorities in the next iteration of the Strategic Plan.</p>

Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		<p>Strategic Plan and Performance Reporting (continued)</p> <p>A performance report is published annually which outlines the IJB's annual performance against the strategic priorities of the Health and Social Care Partnership and evidencing some of the key achievements and challenges faced by the IJB. Additionally, performance in relation to the key strategic performance indicators is reviewed alongside the IJB's performance in relation to the Scottish Government's core suite of national integration indicators which allows comparisons to be made over time and against Scotland as a whole.</p> <p>Our review of the most recent 2023/24 annual performance report highlights that out of the twenty-three indicators, fifteen were showing as green (current position is the same or better than Scotland), three indicators were showing as amber (performing is worse than Scotland but within 5%) and one were showing as red (performance is worse than Scotland by 5%). There were four indicators where data is not available for reporting.</p> <p>The red indicator related to:</p> <ul style="list-style-type: none"> - percentage of people with positive experience of the care provided by their GP practice (Aberdeenshire IJB 62%, Scotland 69%). This was an improvement in the 2022/23 score of 58% 	<p>Aberdeenshire faces the challenge of an increasing older population with a decline in working age population, staff recruitment challenges and lack of available affordable accommodation against a backdrop of significant financial challenge. Adult social care is widely publicised as being under pressure in all local government authorities, so this issue is not specific to Aberdeenshire IJB. The IJB will need to ensure that it is able to continue to deliver safe and effective adult services considering the challenging financial background faced alongside a growing aging demographic. This will require wider transformation of the IJB which is outlined within the Financial Sustainability section of this report.</p> <p>We have obtained assurance that appropriate performance monitoring and reporting arrangements are in place at the IJB, and where indicators are worsening, the IJB then agree upon actions that need to be taken to improve performance.</p>

Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		<p>Stakeholder Engagement</p> <p>Aberdeenshire Health & Social Care Partnership is committed to ensuring the people of Aberdeenshire are at the heart of the services being delivered so individuals get the right care and support whatever their needs, at the right time and in the right setting at any point in their care journey. To do this, Aberdeenshire IJB engages with the people who are supported by its services, their unpaid carers, those who deliver the service and those who may have an interest, in order to inform how they can be improved.</p> <p>Engage Aberdeenshire is the Health & Social Care Partnership's community engagement and participation hub where information can be found on engagement activities, including the latest updates and ways in which the public can actively participate. This hub is for everyone across Aberdeenshire, including people who access health and social care services, unpaid carers, staff, local communities and partners. The purpose of the hub is to provide opportunities for people to influence decision-making and delivery of services, through collaboration and co-design.</p>	<p>We have noted good practice in relation to the community stakeholder engagement whereby the IJB ensure stakeholders are engaged in helping form new strategies, which has helped drive IJB priorities for the future.</p> <p>We have not identified a significant risk in relation to the use of resources to improve outcomes area.</p>

Best Value

Best Value audit response and findings

Best Value work under the new Code of Audit Practice is fully integrated within the annual audit work performed by appointed auditors and their teams. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the company has made proper arrangements for securing Best Value and how the body demonstrates that it is meeting Best Value responsibilities.

The principles of best value are embedded within the wider scope work we perform, and the judgements made within the wider scope work allow us to make an assessment over Best Value.

Appendices

1. Audit Adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

During the course of the audit, there were no adjusted non-trivial misstatements which were made that require reporting within our Annual Audit Report.

Impact of adjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2023/24 audit which management decided not to amend within the final set of financial statements. The unadjusted misstatements will be included in the Letter of Representation.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £' 000
CR Aberdeenshire Council Service Income	(2,263)	
CR Aberdeenshire Council – Additional NHS Transfer	(800)	
DR Expenditure	3,063	
<i>Being the incorrect classification of expenditure by the Council resulting in income being understated and expenditure being overstated.</i>		
Overall impact	0	0

Impact of unadjusted misstatements in the prior year

There were no issues identified in the prior year.

1. Audit Adjustments (2)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team including typos and formatting requests.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the IJB's reported financial position.

Disclosure	Comments	Adjusted?
Review of Annual Report and Accounts (General)	We identified some minor formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary and do not warrant separate reporting.	Yes
Management commentary	Additional disclosure was added on the 2023/24 Annual Performance Report, which detailed the IJB's performance against its five strategic priorities during 2023/24	Yes
Annual Governance Statement	The Delivering Good Governance Framework states that an Annual Governance Statement should have an agreed action plan showing the proposed actions or actions to deal with significant governance issues. Additional disclosure was added to the Annual Governance Statement to identify planned actions the IJB would take during 2024/25 to address the major risk rating identified in the Self-Directed Support internal audit review.	Yes
Remuneration Report	We identified that the banding's for the remuneration of employees receiving more than £0.050 million was incomplete and required to be updated.	Yes
Note 11 – Events after the Reporting Period	We identified that this note had not been updated from the version in the previous year's Annual Accounts. Following our review, the note was updated as expected to bring it up to date to the signing of the financial statements.	Yes

2. Action plan and recommendations – Wider scope and Best Value (1)

We have set out below, based on our audit work undertaken in 2023/24, the key recommendations arising from our wider scope and Best Value audit work. We have identified three recommendations.

Recommendation

Agreed management response/Officer/Date

1. Financial Sustainability – Savings Plans

During 2024/25, the IJB need to find an unprecedented level of savings to balance the budget. The budget presented to the Board for approval in March 2024 identified that the IJB needed to deliver £20 million of savings during the year in order to break-even. Whilst the IJB had identified savings totalling £12.5 million, the finalised budget contained £7.5 million of unidentified savings when approved by the board.

Recommendation

The IJB should ensure that all savings plans are agreed prior to the start of the financial year and that progress towards the achievement of savings are reported to the Board as part of budget monitoring.

Management response: Agreed. The decision was taken by the Board to approve the budget with £7.5 million of additional savings to be applied following further review. The detailed and extensive work undertaken by the IJB and officers to identify £12.5 million of savings had taken us to a position that once funding was confirmed from partners that there remained a budget gap. The decision was taken to allocate the additional £7.5 million savings on a pro rata basis to all budget lines with the exception of those budget lines that had material elements of the £12.5 million already removed. The position will be reported to IJB as part of 2024/25 budget monitoring and the IJB will ensure that all savings are specifically agreed and approved ahead of 1 April 2025. This will form part of the budget setting work for 2025/26 currently underway.

Responsible Officer: Chief Officer

Implementation Date: Ongoing, with implementation date of Feb/March 2025 when 2025/26 budget is approved by IJB.

2. Action plan and recommendations – Wider scope and Best Value (2)

Recommendation

2. Audit Recommendations Tracker

During 2023/24, the IJB have introduced an internal audit recommendation tracker. Whilst this is reported to the Risk & Assurance Group, it is not currently presented to the Audit Committee. Furthermore, the current tracker does not include external audit recommendations.

Recommendation

The IJB should ensure that the tracker of internal and external audit recommendations is reviewed periodically and reported to each Audit, Risk & Performance Committee meeting.

Agreed management response/Officer/Date

Management response: Agreed. The tracker of internal audit recommendations is reviewed periodically by the IJB Risk and Assurance Group (R&AG) chaired by the Chief Officer. A summary of the R&AG meeting is provided to each sitting of the IJB Audit Committee and a further update provided to each sitting of the IJB. We will also include a periodic review of the external audit recommendations and include this in the update to both the IJB and IJB Audit Committees. Internal Audit outstanding recommendations are reported to each IJB Audit Committee by the Internal Audit Manager for review.

Responsible Officer: Chief Officer

Implementation Date: Ongoing with implementation at IJB Risk and Assurance Group prior to Dec-24.

3. Progress against prior year recommendations (1)

Progress against prior year audit recommendations

We have set out below, our follow up of the recommendations made in our 2022/23 audit and management's progress in implementation. There were five recommendations raised in our 2022/23 audit, two recommendations are now closed, one superseded and two remain ongoing.

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor conclusion
Ongoing	<p>1. Consolidation working papers</p> <p>Recommendation: Ensure that working papers for final accounts are available at the IJB level to evidence the transactions within the financial statements.</p>	<p>A review and improvement to working papers was undertaken as part of the preparation for the 2023/24 audit. As part of the audit review it has been agreed that further work is required to ensure the level of detail is as required by external audit. This will be prioritised as part of an audit debrief and in consultation with partners finance teams we will ensure that the working papers are further amended with agreement of external audit.</p>	<p>The working papers presented for audit were similar to the prior year. The audit team required to carry out additional work to agree figures in the IJB financial statements. Going forward the IJB should ensure that the flow of information is easier to monitor and can be reconciled with the partner authorities figures which will enable the audit team to conclude on this area in a more efficient manner.</p> <p>Recommendation remains valid.</p>
Closed (22/23 audit)	<p>2. Timeliness of response and interim audit</p> <p>Recommendation: Ensure that working papers for final accounts are available at the IJB level to evidence the transactions within the financial statements.</p>	<p>The IJB ensured that the both the audit planning and interim and the financial statements element of the audit were able to be completed by the agreed timeline, with all requested information provided to external audit through use of Inflo online system. Our partners were also aware of the timelines, and we ensured we requested all data required specifically for the IJB to ensure deadline was met</p>	<p>We received all required information for completion of our audit in line with the set timetable.</p> <p>Recommendation closed.</p>

3. Progress against prior year recommendations (2)

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor conclusion
Ongoing	<p>3. Financial Sustainability – Future Financial Plans</p> <p>Recommendation: A depth of pace will need to be undertaken on the transformation programme to ensure the IJB can bridge the significant funding gap in a short space of time, to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved. To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased productivity and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable. Once plans are in place, the IJB will need to continue to monitor the percentage level of adequate reserves as funding gaps continue to grow to ensure reserves do not dip to an unsustainable level.</p>	<p>The budget setting process for 2024/25 was initiated at an early stage in 2023 with regular budget development sessions taking place with IJB, senior management team and senior colleagues from our partner organisations. A balanced budget for 2024/25 was presented to the IJB on 20 March 2024. The balanced budget was premised on funding from partner organisations, savings plans relating to service review, an upscaled transformation programme in conjunction with our partners and a number of efficiencies programmes, detailed as effective use of resources.</p> <p>To ensure the continued sustainability, detailed financial monitoring has continued throughout 2024/25 to IJB and Senior Management Team (SMT) to ensure all elements approved to set a balanced budget are being achieved, including oversight of savings plans progression at SMT and IJB level. There is also the added impact of having no usable reserves, as was the case pre Covid, to assist in balancing the budget. We continue to work closely with partners to ensure assistance with efficiencies, transformation and cost reductions plans, appreciative of materiality, pace of change and mitigating any impact on the deliverability of services. This collaboration approach has continued through 2024/25 as we prepare the budget for 2025/26 and updating the Medium Term Financial Strategy. IJB Development sessions have also continued with the emphasis on both strategic direction and delivery of services within continuing financial constraints.</p>	<p>The financial pressures for 2024/25 and beyond are significant. The MTFS identifies that the funding gap to 2028/29 is approximately £57 million. On top of this, the IJB are predicting an overspend of £26 million in 2024/25 which indicates that the cumulative funding gap over the medium term could be greater than the projected total.</p> <p>The recommendation made in the previous year's audit remains relevant. The IJB need to focus on transformation and identifying new ways of service delivery. Challenging decisions will need to be taken and the IJB must focus on how it can balance its finances in future years.</p> <p>Recommendation remains valid.</p>

3. Progress against prior year recommendations (2)

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor conclusion
Closed (22/23 audit)	<p>4. Vision, Leadership and Governance – Self-Evaluation</p> <p>Recommendation: Aberdeenshire IJB should look to implement an annual self evaluation for the relevant Committees and consider the results of this evaluation on an annual basis in order to support continuous improvement and plan for succession</p>	<p>During 2023/24, the IJB have implemented an annual self-evaluation review for both the IJB and the IJB Audit Committee. The results of the self-evaluation were reported the Board in March 2024 and the IJB intend to develop an action plan to assist continuous improvement and succession planning.</p>	<p>The IJB have implemented the self-evaluation exercise during 2023/24 and ensure this is undertaken each year going forward.</p> <p>Recommendation closed.</p>
Superseded	<p>5. Vision, Leadership and Governance – Audit Recommendations</p> <p>Recommendation: Aberdeenshire IJB should ensure that both internal and external audit recommendations are properly monitored for implementation and audit recommendation dates are realistic when set. Where dates are moved or not met, a thorough understanding and follow up of these should be sought and explanations provided. A mechanism should be implemented to follow up on officers should missing recommendation deadlines becomes regular.</p>	<p>During 2023/24, the IJB reviewed the backlog internal audit recommendations that were outstanding, closing off approximately 106 recommendations. As at 31 March 2024, there were ten outstanding recommendations.</p>	<p>The IJB have made good progress in clearing internal audit recommendations. They have recently introduced an internal audit recommendations tracker however it is not formally presented to the Audit Committee.</p> <p>Superseded by new recommendation in 2023/24 audit.</p>

4. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence 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. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and Aberdeenshire IJB 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 entity or investments in the organisation 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 IJB 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 Aberdeenshire IJB.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place, note that there are no non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the organisation's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence 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.

4. Audit fees, ethics and independence (2)

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Aberdeenshire IJB. The table summarises all non-audit services which were identified.

The final audit fee includes an additional audit fee of £2,500 which is levied due to the significant amount of work that is required in the wider scope analysis than would usually be expected. This included a more detailed section on financial sustainability appreciating the significant of savings and budget pressures in 2023/24 and beyond.

External Audit Fee

Service	Audit Plan £	Annual Audit Report £
External Auditor Remuneration	£35,380	£37,880
Pooled costs	£1,290	£1,270
Contribution to Performance Audit and Best Value	£7,550	£7,550
Sectoral Cap Adjustment	(£10,860)	(£10,860)
2023/24 Audit Fee	£33,360	£35,860

Fees for other services

Service	Fees £
We confirm that for 2023/24, we did not receive any fees for non-audit services	Nil

4. Audit fees, ethics and independence (3)

The fees do not reconcile to the financial statements - we have provided a reconciliation below (fees round £'000 in the financial statements):

- | | |
|---|-----|
| - Fees per financial statements (within Note 4) | £34 |
| - Total fees per page 45 | £36 |

The difference of £2,000 relates to the additional audit fee.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021](#) (grantthornton.co.uk)

5. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the IJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•



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