

# Annual Audit Report for Moray Integration Joint Board

Financial year ended  
31 March 2024

Prepared for those Charged with Governance and the  
Controller of Audit

26 September 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our 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 Moray 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 Moray Integration Joint Board (IJB) and the preparation of the financial statements for the year ended 31 March 2024 for those charged with governance (the Board) 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 by the deadline of 30 June 2024, with the IJB authorising their financial statements on 27 June 2024. We have been supported by Moray IJB's officers during the audit process with effective working relationships and commitment to the audit process.

**We have completed our audit work, and we issued an unmodified opinion on 26 September 2024.**

The working papers presented for audit were a good quality, and any supplementary working papers, sample requests and queries were responded to effectively.

# Executive Summary (2)

## Financial Statements (continued)

### Misstatements and recommendations

Our audit work was substantially completed during September 2024. Our findings are summarised on pages 8 to 18. We have identified no adjustments or unadjusted misstatements to the primary financial during the course of the audit. Further detail is set out within [Appendix 1](#) including minor disclosure adjustments.

We have not identified any financial statements recommendations for management as a result of our audit work on the financial statements.

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

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

## Wider Scope

### 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 one risk in respect of financial sustainability.

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 seven 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 Moray 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](http://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 £4.056 million which represents 2% of the IJB's gross expenditure.

This has been updated from a planning materiality of £3.376 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

We have not identified any changes in our approach since our Audit Plan was presented to the Audit, Performance and Risk Committee on 27 June 2024. The risks identified remain the same.

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## Status of Audit Work

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Our work is complete.

We presented this Annual Audit Report to the Audit, Performance and Risk Committee on 26 September 2024.

The IJB at the Board meeting on 26 September 2024 approved the financial statements.

**We issued an unmodified audit opinion on 26 September 2024.**

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

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# 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 £4.056 million representing 2% of Moray IJB's gross expenditure.
- Performance materiality was set at £3.042 million, representing 75% of our calculated materiality.
- We report to Officers (Management) any differences identified over £202,800.
- 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 £4.056 million which represents 2% of the IJB's gross expenditure.

### Performance Materiality threshold

Performance materiality for the year has been set at £3.042 million which represents 75% 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 Moray 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. We determined that the principal risks were in relation to journal entries that altered the IJB's financial performance for the year and potential management bias in determining accounting estimates. 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:
  - Moray 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

# 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.

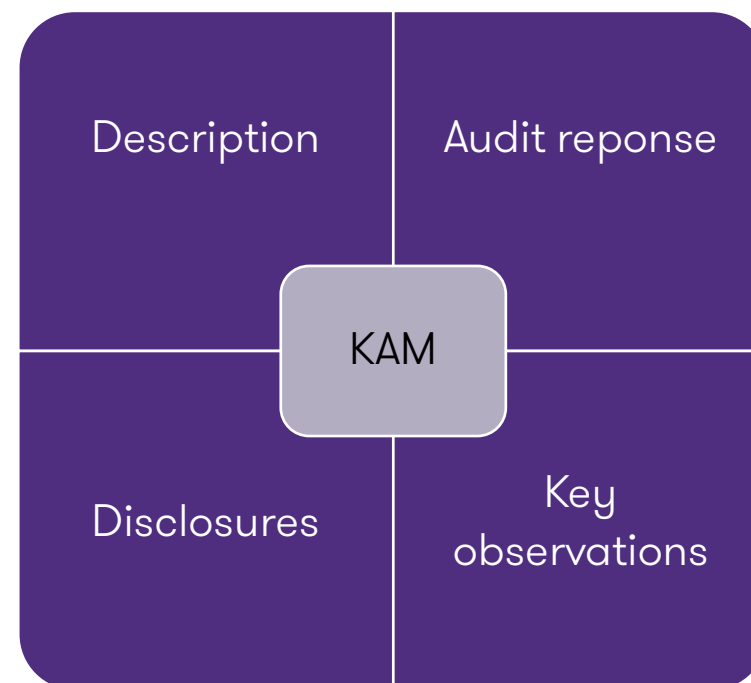
These matters included those that had the greatest effect on:

- 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 judgment, 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 Moray 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

Through our 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 Moray Council and NHS Grampian audits where recommendations were made on each around the journal authorisation process.

As the IJB's financial statements are prepared by merging the relevant transactions from Moray 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 Moray 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 Moray 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 2 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
<b>Matters in relation to fraud and irregularity</b>	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 inquiries 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.
<b>Accounting practices</b>	We have evaluated the appropriateness of Moray 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 <a href="#">Appendix 1</a> .
<b>Matters in relation to related parties</b>	We are not aware of any other related parties or related party transactions which have not been disclosed. The principal related parties are Moray Council and NHS Grampian.
<b>Matters in relation to laws and regulations</b>	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.
<b>Other information</b>	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
<b>Governance statement</b>	<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. Minor improvements can be made to the Statement, and these have been noted within <a href="#">Appendix 1</a>.</p>
<b>Matters on which we report by exception</b>	<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>
<b>Written representations</b>	<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 specific representations in this letter.</p>
<b>Going concern</b>	<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"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>



## Other responsibilities under the Code (1)

Issue	Commentary
WGA return	For local government audits, we are required to complete Whole of Government Accounts (WGA) work and provide an assurance statement on the WGA return as mandated by National Audit Office. The IJB will fall under its parents return (Moray Council). We will complete the relevant specified procedures and prepare and submit a partial assurance statement once we have completed all our work on Moray Council's financial statements, and when the final guidance is received.
Health board Consolidation	For health boards, we are required to under the Code of Audit Practice to examine and report on the consolidation schedules. The IJB expenditure for NHS Grampian was included within the health board consolidation process and this was submitted as part of our work on NHS Grampian's financial statements.
Other returns to Audit Scotland	In accordance with the Audit Scotland Planning Guidance, as appointed auditors we have prepared and submitted Fraud Returns and Current Issues Returns to Audit Scotland, sector annual reports, shared intelligence on health and social care, sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.

## 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	
Advance Business Solutions e5 system – Moray 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

In our Audit Plan, we reported that on 4 August 2022, One Advanced (the supplier of eFinancials) was hit by a ransomware attack. They provide outsourced hosting services to a number of audited bodies. This issue impact on both financial and non-financial systems. In response to this risk, we made inquiries to ascertain whether NHS Grampian was affected by the events. Our inquiries confirmed that NHS Grampian was not affected by this attack.

### 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 one wider scope risk in relation to financial sustainability.

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><b>Financial Management</b></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><b>IJBs' Financial Management Arrangements</b></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 Moray Council and NHS Grampian to provide accurate financial monitoring reports.</p> <p>Moray IJB will commission services from Moray Council and NHS Grampian. The management of services within each of these organisations will continue to be governed by the existing Standing Financial Instructions, Schedule of Reserved Decisions, Operational Scheme of Delegation within the partner organisations.</p> <p><b>Finance Team</b></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. Given the size of the organisation, should staff shortages arise, the finance team may face capacity issues.</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
<b>Financial management (continued)</b>		<p><b>Financial Performance</b></p> <p>The 2023/24 Revenue Budget Report was presented to Moray IJB on 30 March 2023. The budget was set at £167.648 million which included £13.466 million set aside.</p> <p>Throughout 2023/24, there were several significant adjustments to the initial 23/24 Revenue Budget. The biggest of these related to the transfer of the Children's Service to the IJB, which added an additional £19.762 million to the 2023/24 budget. All budget revisions were reported to the IJB with detailed reasoning of the changes made. The final revised budget position for 2023/24 was £198.408 million.</p> <p>The final outturn for 2023/24 was £201.432million. Moray IJB core services recorded an overspend of £10.024 million, whilst the Strategic Fund and Other Resources budget had an underspend in year of £7.000million, resulting in a total overspend of £3.024 million. This was in line with the overspend projected in the Quarter 3 budget monitoring report.</p> <p>To manage the overspend, both partner bodies provided an additional funding contribution to the IJB. Moray Council provided £1.119 million whilst NHS Grampian provided £1.905 million.</p>	<p>The 2023/24 IJB budget overspent by £3.024 million and required additional funding from partners. This is not sustainable and the IJB should aim to achieve a balanced budget position in future years.</p> <p>We have not identified a significant risk in relation to the financial management area.</p>

## Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p><b>Financial Sustainability</b></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><b>Significant risk identified in relation to future financial plans for 2023/24 and beyond</b></p>	<p><b>Budgeting</b></p> <p>Moray 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 process. This includes discussions taking place between management, Moray Council and NHS Grampian regarding funding requirements.</p> <p>The IJB has a responsibility under the Public Bodies (Joint Working) (Scotland) Act 2014 to set a budget before 31 March each year. For 2024/25, the IJB presented a "working budget" to the 28 March 2024 Board Meeting. The initial budget was in deficit of £3.764 million.</p> <p>Following this, the IJB presented its final budget for 2024/25 to the 30 May 2024 Board Meeting. The final revenue Budget for 2024/25 totalled £200.641 million which included £14.665 million set aside services. The funding provided totalled £190.998 million and built into the 2024/25 funding assumptions was expected savings of £8.297 million. The IJB predicted an overall budget deficit of £1.346 million, with the intention to fund the deficit from earmarked reserves.</p> <p>The level of savings the IJB require to produce in year is unprecedented. The IJB have implemented a Budget Savings Oversight Group to monitor savings delivery. The Chief Officer chairs the group, and the intention is to hold monthly meetings to review progress on the savings programme. Progress on savings plans will continue to be reported as part of the budget monitoring reports presented to the Board.</p>	<p>The IJB should ensure it presents its final budget, with all agreed savings, before the start of the financial year</p> <p><b>An action plan recommendation has been raised in Appendix 2.</b></p> <p>The IJB have created the Budget Savings Oversight Group to monitor the delivery of savings during 2024/25 and in future years.</p>

# Wider scope audit (4)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion										
Financial sustainability (continued)		Budgeting (continued)	<p>The IJB are predicting a significant overspend for 2024/25 which will put further strain on already partner authority budgets.</p> <p>It is unlikely that the IJB will deliver all required savings in 2024/25 and if possible, they should look for alternative options to help achieve a balanced budget.</p>										
		<table border="1"> <thead> <tr> <th>2024/25 Budget</th> <th>£'000</th> </tr> </thead> <tbody> <tr> <td>Total Budget</td> <td>200,641</td> </tr> <tr> <td>Total Funding</td> <td>(190,998)</td> </tr> <tr> <td>Savings Identified</td> <td>(8,297)</td> </tr> <tr> <td>Budget Deficit</td> <td>(1,346)</td> </tr> </tbody> </table>		2024/25 Budget	£'000	Total Budget	200,641	Total Funding	(190,998)	Savings Identified	(8,297)	Budget Deficit	(1,346)
		2024/25 Budget		£'000									
		Total Budget		200,641									
		Total Funding		(190,998)									
		Savings Identified		(8,297)									
Budget Deficit	(1,346)												
2024/25 Projected Outturn (continued)													
<p>The IJB will present detailed forecast projections for the remainder of 2024/25 at the September 2024 Board Meeting. The monitoring position confirms that the IJB are forecasting a budget deficit of £5.264 million (2.6% of the IJB budget) for financial year 2024/25.</p>													
<p>The progress towards the IJB's savings plans is included as part of the monitoring report and is reported on a RAG basis. At the end of June 2024, the IJB were predicting:</p> <ul style="list-style-type: none"> <li>- Expect to achieve £5.466 million of savings (rated green)</li> <li>- £2.831 million of savings are at risk of not being achieved (rated amber or red).</li> </ul>													
<p>Were the full £8.297 million of savings not fully achieved during 2024/25, it is expected that partner authorities will need to provide additional funding to meet any in year deficits.</p>													

# Wider scope audit (5)

Wider scope dimension

Plan risk

Wider scope audit response and findings

Conclusion

Financial sustainability (continued)

## Medium Term Financial Strategy

The IJB approved its Medium Term Financial Strategy 2023/24 – 2027/28 (MTFS) as part of the 2023/24 budget setting process in March 2023. The financial pressures for 2024/25 and beyond are significant, with the total funding gap for the period currently projected to be £30.4 million.

	2024/25	2025/26	2026/27	2027/28
Estimated Budget Requirement	168,636	173,830	179,230	184,769
Total Funding	164,820	167,520	170,377	173,325
Budget Surplus/ (Deficit)	(3,816)	(6,310)	(8,853)	(11,444)

The MTFS has not been updated during 2024 and is out of date. The IJB need to re-evaluate the financial outlook over the medium term to confirm if the total funding gap of £30.4 million in the existing MTFS has changed. It is the IJB's intention to bring an updated version of the MTFS to the November 2024 Board meeting where they will re-assess their funding requirements and review the expected financial deficit over the medium term.

Any future funding assumes a low level of savings will be achieved each year and assumes that the existing financial pressure will be addressed using recurring investment provided by the Scottish Government, with the aim of maximising capacity and ensuring system flow as Moray IJB transform the way services are provided across the whole system.

Risks such as potential reduction in future funding, pay negotiations, rising inflation, cost of living crises and supply chain pressures are embedded within the MTFS however, given the economic uncertainty of these factors, this could result in a growth of the cumulative funding gap.

The IJB need to re-evaluate the financial outlook over the medium term and update the MTFS to identify the total funding gap over the medium term.

**An action plan recommendation has been raised in Appendix 2.**

To achieve financial sustainability and reduce reliance on useable reserves to bridge funding gaps, 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, in the short to medium term this could provide financial sustainability challenges for the IJB.



# Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion																				
<b>Financial sustainability (continued)</b>		<p><b>Reserves</b></p> <p>Reserves are a key performance indicator of monitoring the financial health of a body. At 31 March 2024, the IJB held £1.986 million of reserves which were fully earmarked. During 2023/24, the IJB utilised £2.697 million of reserves.</p> <p>The IJB has budgeted to utilise £1.346 million of general earmarked reserves in 2024/25 to achieve a balanced budget. This will reduce general earmarked reserves to £0.640 million by 31 March 2025. The use of reserves to balance the budget should not be relied upon, as this is finite and not a way to create financial sustainability for the IJB. As mentioned above, the IJB will need to prioritise and focus on transformation to ensure that reserves are used for their intended purpose to and not to meet budget gaps.</p> <p>At the 31 March 2024, the IJB general reserves balance is nil, which means any future overspends will need to be fully met by the partner authorities. The table below outlines the movement in reserves during 2023/24:</p> <table border="1"> <thead> <tr> <th></th> <th>General Reserves</th> <th>PCIP &amp; Action 15</th> <th>Other Earmarked</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>As at 31 March 2023</td> <td>-</td> <td>937</td> <td>3,746</td> <td>4,683</td> </tr> <tr> <td>Transferred Out</td> <td>-</td> <td>(904)</td> <td>(1,793)</td> <td>(2,697)</td> </tr> <tr> <td>Balance at 31 March 2024</td> <td>-</td> <td><b>33</b></td> <td><b>1,953</b></td> <td><b>1,986</b></td> </tr> </tbody> </table>		General Reserves	PCIP & Action 15	Other Earmarked	Total	As at 31 March 2023	-	937	3,746	4,683	Transferred Out	-	(904)	(1,793)	(2,697)	Balance at 31 March 2024	-	<b>33</b>	<b>1,953</b>	<b>1,986</b>	<p>The continued reliance on reserves is not sustainable and although it helps achieve a balanced budget in 2024, the IJB will not have sufficient available earmarked reserves to draw upon in order to meet the 2025/26 funding gap. There is no general reserve balance, and the level of reserves is at an unsustainable level.</p> <p><b>An action plan recommendation has been raised in Appendix 2.</b></p>
	General Reserves	PCIP & Action 15	Other Earmarked	Total																			
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Balance at 31 March 2024	-	<b>33</b>	<b>1,953</b>	<b>1,986</b>																			

# Wider scope audit (7)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<b>Financial sustainability (continued)</b>		<p><b>Transformation Plans</b></p> <p>The increase in the cumulative funding gap position in the next four 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 Moray 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.</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><b>Audit Scotland Review of Integration Joint Boards</b></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>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>

## Wider scope audit (8)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<b>Financial sustainability (continued)</b>		<p><b>Audit Scotland Review of Integration Joint Boards (continued)</b></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 Moray 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>Moray 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 (9)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p><b>Vision, Leadership and Governance</b></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>No significant risks identified</p>	<p><b>Leadership and Committee Effectiveness</b></p> <p>Moray 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, namely the Board, the Audit, Performance and Risk Committee and the Clinical and Care Governance Committee.</p> <p>The Audit, Performance and Risk 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. This allows IJBs with the opportunity to evaluate on strengths and weaknesses and draw any themes arising from results of self evaluations. This allows the implementation of any necessary action plans to support continuous improvement in priority areas and ensure it is demonstrating compliance against the CIPFA Code of Principles for Delivering Good Governance (revised 2016).</p> <p>The Chief Officer, Simon Boker Ingram, retired in May 2024. He was initially replaced by Sean Coady on a depute basis, prior to the appointment of Judith Proctor as the Interim Chief Officer in July 2024.</p> <p>The Chief Social Worker at the Council, Tracy Stephen, left in May 2024. She was replaced on an interim basis by Jim Lyon in the same month. Deborah O'Shea was appointed as the permanent CFO from 1st April 2024.</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, Performance and Risk Committee effectively challenge and scrutinize reports presented and ensure effective decision making.</p> <p>The Chief Officer and Chief Social Worker at the Council are currently appointed on an interim basis. The IJB and Council need to secure permanent positions for both posts to provide certainty over the future direction of the IJB.</p> <p><b>An action plan recommendation has been raised in Appendix 2.</b></p>

# Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<b>Vision, Leadership and Governance (continued)</b>		<p><b>Governance Statement</b> The Governance Statement details the composition and governance structure of Moray 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><b>Risk Management</b> The organisation maintains a strategic risk register which sets out the inherent risks being faced by Moray 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, Performance and Risk 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. The most recent risk register was presented to the Audit, Performance &amp; Risk Committee in June 2024. There is one “very high” risk identified by the entity within the register around the risk of financial failure.</p> <p><b>Internal controls</b> 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. The date of approval and adoption by the Board for the Standing Orders was May 2022. The Financial regulations were updated in November 2023 and approved by the Board.</p> <p>Moray 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 Moray 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 relevant and promoted within the organisation.</p>

# Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<b>Vision, Leadership and Governance (continued)</b>		<p><b>Internal controls (continued)</b></p> <p>Internal audit activity is undertaken by the Audit and Risk Manager of Moray Council, who was appointed as the Chief Internal Auditor of Moray IJB in 2022, for a period of two years to 31 March 2024. This has been extended by a further two years following approval at the May Board meeting.</p> <p>Internal audit undertook the following reviews during the financial year:</p> <ul style="list-style-type: none"> <li>• Commissioning Services – Review the arrangements for the commissioning of social care services for children to ensure these are designed and delivered to meet the specified needs and demonstrate best value.</li> <li>• Disabled Parking System - Review the system for administering the disabled parking permits</li> <li>• Moray Integrated Community Equipment Store - A review of the Occupational Therapy Store, to ensure appropriate accounting systems are followed.</li> </ul> <p>Internal Audit identified several recommendation as a result of their reviews. This resulted in an overall assurance opinion for the 2023/24 financial year of limited assurance. The internal audit opinion notes that <i>"the Service has made significant progress in implementing recommendations highlighted by the Internal Audit Section and from a review of how the Commissioning Service manages adult social care contracts. However, this work is still ongoing. After consideration, in addition to the findings from work carried out by Internal Audit during the year, it is my opinion that I can only provide limited assurance that the Moray Integration Joint Board has adequate systems of governance and internal control."</i></p> <p>This is the third year in succession that Internal Audit have provided a limited assurance opinion. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control.</p>	<p>The IJB have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls.</p> <p>This is the third year in succession that Internal Audit have provided a limited assurance opinion. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control. The IJB should have definitive plans in place to avoid further limited assurance opinions.</p> <p><b>An action plan recommendation has been raised in Appendix 2.</b></p>

# Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p><b>Internal controls (continued)</b></p> <p>As part of their review of process at the IJB, internal audit make recommendations for management in order to improve controls. Whilst the IJB have introduced an internal audit recommendations tracker, this is not presented to each Audit Committee meeting. This links to an existing recommendation made during the prior year audit, where we recommended that external audit recommendations are reported to committee. This has not been actioned during 2023/24 and is going to be addressed by the IJB in 2024/25.</p> <p>The Audit, Performance and Risk Committee received quarterly audit and inspection reports from internal audit which outlined the work undertaken in each quarter alongside any follow up audits and the results of the audits. This provides Audit, Performance and Risk Committee members the opportunity to gain assurance that internal controls are operating as expected.</p> <p>From review of Audit, Performance and Risk Committee papers, internal audit reporting is heavily based on activities within Moray Council however, NHS Grampian's internal auditors prepare reports that are also relevant to Moray IJB. At present, there are existing links with the NHS Grampian internal audit function and further attempts have been undertaken to improve the links during the year. Internal audit are also provided with a letter of comfort from NHS Grampian confirming the assurance placed on internal audit reports and the opinion provided on their systems of internal control. However, Moray IJB should look to strengthen the reporting of NHS Grampian's internal audit results within the IJB where relevant to provide oversight to members and to provide a complete picture of both organisations.</p>	<p>The IJB should ensure that the tracker of internal audit recommendations is reviewed periodically and reported to each Audit, Risk &amp; Performance Committee meeting.</p> <p><b>An action plan recommendation has been raised in Appendix 2.</b></p> <p>Although it is recognised that some steps have already been taken to ensure oversight of NHS Grampian internal audit reports, reporting to the Audit, Performance and Risk Committee needs to be strengthened.</p> <p><b>An action plan recommendation has been raised in Appendix 2.</b></p>

# Wider scope audit (13)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance		<p><b>Joint inspection of Children’s Services</b></p> <p>There was an inspection of Children’s Services carried out by the Care Inspectorate during 2023/24, with the final report published on 23 January 2024. The inspection team was led by the Care Inspectorate’s strategic scrutiny children’s team and their scrutiny partners. The inspection team looks at the impact the community planning partnerships are having on the lives of children and young people at risk of harm and their families.</p> <p>Inspectors evaluated the impact of services on the lives of children and young people as “adequate”. This meant that strengths just outweighed weaknesses. Although many strengths were identified as having a positive impact, the likelihood of achieving positive experiences and outcomes was reduced significantly because of key performance areas which needed to improve.</p> <p>Following the inspection, the IJB have created an improvement plan centred on the findings from the review. This was approved by the Moray Public Protection Chief Officers Group on 12 April 2024 and was submitted to the Care Inspectorate. The Child Protection Committee will oversee the activity related to the improvement plan and report progress to Moray Public Protection Chief Officers group.</p> <p>The Improvement Plan covers three main areas of improvement:</p> <ul style="list-style-type: none"> <li>• Children and young people at risk of harm influencing service planning and improvement</li> <li>• Children and young people at risk of harm benefit from independent advocacy</li> <li>• Young people at risk of harm from themselves or to others, or from risk in the community</li> </ul>	<p>Joint inspection of Children’s Services completed by the Care Inspectorate who assessed the impact of the service as “adequate”.</p> <p>The IJB have created an Improvement Plan with key actions identified for implementation over future months.</p>



# Wider scope audit (14)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p><b>Use of Resources</b></p> <p>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><b>Strategic Plan and Performance Reporting</b></p> <p>The strategic plan has three strategic themes; building resilience, home first and partners in care. Underpinning these themes are several objectives which detail how Moray IJB will achieve each objective.</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. Furthermore, the report provides details on 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>As part of our 2022/23 audit, we raised a recommendation that management should review the format of the Performance Report and content to ensure it is succinct, focuses on the IJB's performance and outcomes, and supports the user of the financial statements to understand the IJB's purpose and achievements in year. This has not been actioned during 2023/24 and remains an open action for implementation.</p> <p>Our review of the 23/24 performance report highlights that out of the twenty national indicators reported:</p> <ul style="list-style-type: none"> <li>• nine were showing as green (IJB performance has improved from last year)</li> <li>• two indicators were showing as amber (performance is similar to last year)</li> <li>• six were showing as red (performance is worse than previous year)</li> </ul> <p>There was one indicator that data is not available for reporting.</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 (15)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion																					
Use of Resources (continued)		<p><b>Strategic Plan and Performance Reporting (continued)</b> The red indicators in the performance report, where the IJB's performance worsened during 2023/24, were as follows:</p> <table border="1" data-bbox="443 544 1615 1182"> <thead> <tr> <th></th> <th>Moray</th> <th>Scotland</th> </tr> </thead> <tbody> <tr> <td>Percentage of adults supported at home who agree that they are supported to live as independently as possible</td> <td>72%</td> <td>72%</td> </tr> <tr> <td>Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided</td> <td>59%</td> <td>60%</td> </tr> <tr> <td>Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life</td> <td>69%</td> <td>70%</td> </tr> <tr> <td>Percentage of carers who feel supported to continue in their caring role</td> <td>28%</td> <td>30%</td> </tr> <tr> <td>Percentage of adults supported at home who agree they felt safe</td> <td>70%</td> <td>73%</td> </tr> <tr> <td>Percentage of adults with intensive care needs receiving care at home</td> <td>61%</td> <td>65%</td> </tr> </tbody> </table>		Moray	Scotland	Percentage of adults supported at home who agree that they are supported to live as independently as possible	72%	72%	Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided	59%	60%	Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life	69%	70%	Percentage of carers who feel supported to continue in their caring role	28%	30%	Percentage of adults supported at home who agree they felt safe	70%	73%	Percentage of adults with intensive care needs receiving care at home	61%	65%	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.
			Moray	Scotland																				
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Moray faces the challenge of an increasing older population with a decline in working age population, staff recruitment challenges and lack of available 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 Moray IJB.																								

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# 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 IJB 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

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# 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 unadjusted misstatements

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

## Impact of unadjusted misstatements in the prior year

There was no unadjusted misstatement identified in the prior year audit.

# 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 a number of minor casting errors, figures which had not yet been included and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	Yes
Other Information	We have identified a number of minor amendments required to be made to the annual report to ensure it is consistent with the financial statements. These have been amended by management but do not warrant separate reporting.	Yes
Remuneration Report	We identified a difference of £10,209 between the accrued lump sum figure provided for the Interim Chief Financial Officer in the NESPF calculations (£31,209) and the figure within the accounts (£21,000). The accounts were amended to include the correct figure.  We identified that the prior year pension contributions figure of £11,716 for the Interim Chief Finance Officer included in the draft accounts was incorrect. The figure should have been £6,943	Yes
Annual Governance Statement	Minor improvements can be made to the Annual Governance Statement including: <ul style="list-style-type: none"> <li>• Actions to be taken by the IJB in response to the limited assurance internal audit</li> <li>• Areas of focus for 2024/25 - it would be worthwhile adding additional narrative as to why this is an area of focus and the steps to be taken during 24/25 to ensure these actions are implemented</li> </ul>	Partly

## 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:

Recommendation	Agreed management response/Officer/Date
<p><b>1. Revenue Budget Setting</b></p> <p>The IJB is required to set its budget before the end of March. Whilst the IJB set a working budget on 28 March 2024 it did not formally approve the 2024/25 revenue budget until 30 May 2024.</p> <p><b>Recommendation:</b> The IJB should ensure it presents its final budget, with all agreed savings, before the start of the financial year</p>	<p><b>Management response:</b> 2024/25 was a challenging and unprecedented year. Budget Saving Oversight group now set up and plan and timeline in place to ensure budget is agreed in March.</p> <p><b>Responsible Officer:</b> Chief Finance Officer</p> <p><b>Implementation Date:</b> 31/03/2025</p>
<p><b>2. Financial Sustainability – Reserves</b></p> <p>The IJB intend to utilise £1.346 million of earmarked reserves to bridge the budget deficit in 2024/25. There is a risk that continued reliance on reserves to bridge funding gaps will create financial sustainability issues for the IJB.</p> <p><b>Recommendation:</b> The IJB will need to continue to monitor the percentage level of adequate reserves as funding gaps continue to grow and the IJB looks to transformation in future years to ensure reserves do not dip to an unsustainable level.</p>	<p><b>Management response:</b> There are limited reserves left and are expected to be depleted by the end of 24/25.</p> <p><b>Responsible Officer:</b> Chief Finance Officer</p> <p><b>Implementation Date:</b> 31/03/2025</p>

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

### Recommendation

#### 3. Medium Term Financial Strategy

The Medium Term Financial Strategy was last updated in March 2023 and is considered out of date. If the plan is not updated on a regular basis, there is a risk that the IJB are unaware of the potential funding implications over the medium term.

**Recommendation:** The IJB should re-evaluate the financial outlook over the medium term and update the Medium Term Financial Strategy to identify the total funding gap over the medium term.

#### 4. Reporting of NHS Grampian Internal Audit Activity

Internal audit reporting is heavily based on activities within Moray Council. Moray IJB should look to strengthen the reporting of NHS Grampian’s internal audit results within the IJB to provide oversight to members and to provide a complete picture of both organisations.

**Recommendation:** To ensure oversight of NHS Grampian internal audit reports, reporting to the Audit, Performance and Risk Committee needs to be strengthened.

### Agreed management response/Officer/Date

**Management response:** The MTFS is currently being updated and will be reported to the next IJB meeting.

**Responsible Officer:** Chief Finance Officer

**Implementation Date:** 30/11/2024

**Management response:** The Chief Internal Auditor has recently signed a “hold harmless” with the Internal Audit Provider of NHS Grampian to allow internal audit reports of interest to the MIJB to be reported in private to the Audit, Performance and Risk Committee. Due to the contractual relationship between NHS Grampian and their Internal Audit Provider, there has also been a requirement for a letter of “assurance” regarding the reliance that can be placed on the content of internal audit reports from the Assistant Director of Finance of NHS Grampian

**Responsible Officer:** Chief Internal Auditor

**Implementation Date:** 30/09/2024



## 2. Action plan and recommendations – Wider scope and Best Value (3)

### Recommendation

### Agreed management response/Officer/Date

#### 5. Internal Audit Recommendations

Following the retirement of the previous Chief Officer, the current Chief Officer has been appointed on an interim basis. Furthermore, the Chief Social Worker at the Council is also appointed on an interim basis.

**Recommendation:** The IJB and Council need to secure permanent positions for the both posts to provide certainty over the future direction of the IJB.

**Management response:** A timetable for recruitment to permanent Chief Officer and Chief Social Work Officer (CSWO) posts is being prepared and it is anticipated that a permanent Chief Officer recruitment process will take place by the end of the calendar year. The Interim role is for 6 months which will provide stability until the permanent role is filled. The CSWO will be recruited thereafter.

**Responsible Officer:** Chief Executives - Moray Council and NHS Grampian

**Implementation Date:** End of 2024 for Chief Officer and end of March 2025 for CSWO anticipated

#### 6. Internal Audit Limited Assurance Opinion

This is the third year in succession that Internal Audit have provided a limited assurance opinion. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control.

**Recommendation:** The IJB should have definitive plans in place to avoid further limited assurance opinions.

**Management response:** Assurance is being given by accepting recommendations detailed within internal audit reports. In addition, the service also provides progress reports on the implementation of the recommendations to Audit, Performance & risk Committee. Some audit reviews have noted some significant findings and implementation of recommendations have not always been achieved in the time frame. Improvements in governance and control arrangements of systems and practices remain a priority to ensure the Chief Auditor obtains relevant assurance. Work is being done to ensure a consistent process at Senior Management Team to review all Audit Action Plans and support delivery of key activity. In addition, a review of our operational governance oversight is being commenced.

**Responsible Officer:** Senior Management Team

**Implementation Date:** 31/03/2025

## 2. Action plan and recommendations – Wider scope and Best Value (4)

### Recommendation

### Agreed management response/Officer/Date

#### 7. Internal Audit Recommendations

As part of their reviews, internal audit make recommendations for management to action. Whilst the IJB have introduced a recommendations tracker, this is not presented to each Audit Committee meeting.

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

**Management response:** Internal Audit recommendations tracker to be set up and maintained and reported to APR Committee

**Responsible Officer:** Corporate Manager

**Implementation Date:** 31/03/2025

# 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 eight recommendations raised in our 2022/23 audit, three of these recommendations are now closed and five remain ongoing.

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor conclusion
Ongoing	<p><b>1. Performance Report</b></p> <p><b>Recommendation:</b> Management should review the format of the Performance Report and content to ensure it is succinct, focuses on the IJB's performance and outcomes, and supports the user of the financial statements to understand the IJB's purpose and achievements in year.</p>	<p>There have been limited changes made to the format of the report due to staffing changes during the year. Intention is to review for next financial year.</p>	<p>Minimal changes have been made and intention is to review for 2024/25.</p> <p>Recommendation remains relevant</p>
Closed (22/23 audit)	<p><b>2. Related Parties</b></p> <p><b>Recommendation:</b> From review of the registers of interests on the Moray IJB website, we noted that these are out of date (last updated in 2021) although as part of our work, we received the registers of interest as at March 2023. Additionally, registers of interests were not requested by management for interim members.</p>	<p>The registers of interests on the website are now up-to-date, with last review date in April 2024</p>	<p>The registers of interests accessible on the website are now updated.</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><b>3. Financial Sustainability – Reserves</b></p> <p><b>Recommendation:</b> The IJB will need to continue to monitor the percentage level of adequate reserves as funding gaps continue to grow and the IJB looks to transformation in future years to ensure reserves do not dip to an unsustainable level.</p>	Transformation / savings plan in place for 2024/25. Minimal use of reserves used to balance the budget. No change in level of general reserves	<p>The IJB's approved budget for 2024/25 was set with a deficit of £1.346 million. The deficit is to be funded through the use of general earmarked reserves.</p> <p>The recommendation remains relevant as the IJB will need to continue to monitor use of reserve in managing projected deficits.</p>
Ongoing	<p><b>4. Financial Sustainability - Transformation</b></p> <p><b>Recommendation:</b> 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.</p>	A significant transformation / savings plan is in place for 2024/25 onwards	<p>The IJB understand the need for transformational change however the 2024/25 budget monitoring outlines that the IJB is projecting to overspend by £5.264 million.</p> <p>The recommendation remains relevant as the IJB need to continue to look for alternative means of service delivery which will increase productivity and the efficiency of the service.</p>

# 3. Progress against prior year recommendations (3)

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor conclusion
Closed (22/23 audit)	<p>5. Vision, Leadership and Governance – Financial Regulations</p> <p><b>Recommendation:</b> Moray IJB should review the Financial Regulations and update as appropriate. These should be brought to the relevant Committee for approval.</p>	The Financial regulations were updated in November 2023 and approved by the Board.	Financial regulations appropriately update. Recommendation closed.
Ongoing (22/23 audit)	<p>6. Vision, Leadership and Governance – Internal Audit</p> <p><b>Recommendation:</b> Moray IJB should ensure audit recommendation dates are realistic when set and are monitored for implementation. 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>	Internal audit consult senior managers as part of the audit process. All dates set by internal audit are in agreement with the service with realistic achievable dates.	<p>The 2023/24 internal audit annual report confirmed a number of prior year recommendations had not been implemented, requiring revised dates of implementation to be agreed. This setting of dates for recommendations to be cleared has remained an issue during 2023/24.</p> <p>The recommendation remains relevant.</p>

# 3. Progress against prior year recommendations (4)

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor conclusion
Closed (22/23 audit)	<p><b>7. Climate Change Reporting</b></p> <p><b>Recommendation:</b> Moray IJB should review their current disclosures to ensure that their narrative reporting adequately reflects their exposure to climate-related issues and how they are monitoring and managing these risks.</p>	<p>Climate Change is considered in all reports being presented to MIJB under the Implications Section; Climate Change and Biodiversity Impacts. It is also a consideration for any service changes e.g. vaccination centre relocation to communities could have a negative impact on climate change and staff efficiencies as staff would have to drive from one centre to the other. Transportation and delivery of vaccinations would also be required across Moray for often small amounts, having to be stored in refrigerators. By holding them centrally but delivering targeted local clinics as required in communities reduces the impact on carbon emissions.</p>	<p>We are satisfied with the approaches taken to report climate related issues. We also noted a climate change duties report is collated and submitted annually on behalf of the MIJB.</p> <p>Recommendation closed.</p>
Ongoing	<p><b>8. Best Value – External Audit Action Log</b></p> <p><b>Recommendation:</b> Moray IJB should create a mechanism to monitor progress against external audit recommendations and the report should be brought to the relevant Committee on a regular basis to ensure scrutiny and challenge by members.</p>	<p>Will be on the agenda for 2024/25</p>	<p>The recommendation to action external audit recommendations and report to Committee remains outstanding.</p> <p>The recommendation remains relevant.</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 Moray 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 Moray 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 Moray 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

<b>Service</b>	<b>Audit Plan £</b>	<b>Annual Audit Report £</b>
External Auditor Remuneration	£34,980	£37,480
Pooled Costs	£1,270	£1,270
Contribution to Performance Audit and Best Value	£7,470	£7,470
Sectoral Cap Adjustment	(£10,360)	(£10,360)
<b>2023/24 Audit Fee</b>	<b>£33,360</b>	<b>£35,860</b>

## Fees for other services

<b>Service</b>	<b>Fees £</b>
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 audit fees reconcile to the financial statements as follows:

- Fees per financial statements £36
- Total fees per above £36

## 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](mailto: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](http://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.		•

