

Aberdeenshire Integration Joint Board Annual Audit Report

Financial year ending 31 March 2025

Prepared for Those Charged with Governance and the
Controller of Audit

04 December 2025



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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 the Council 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 Audit Practice 2021). We do not accept any responsibility for any loss occasioned to any third part 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.

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01 Headlines

Headlines (1)

This table summarises the key findings and other matters arising from the external audit of Aberdeenshire Integration Joint Board (IJB) and the preparation of the financial statements for the year ended 31 March 2025, for those charged with governance (the IJB Board) and the Controller of Audit.

Financial statements

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 2025 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 2024/25 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 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 2025, with the IJB Audit Committee authorising their financial statements on 25 June 2025.

We have been supported by Aberdeenshire IJB's officers during the audit process with effective working relationships and commitment to the audit process. The working papers presented for audit were a good quality, and any supplementary working papers, sample requests and queries were responded to effectively.

Headlines (2)

Draft financial statements (continued)

Our audit work was completed during the period August–November 2025. Our findings are summarised on pages 8 to 18. We have identified no adjustments or unadjusted misstatements to the primary financial statements during the course of the audit. There has been a prior period adjustment to a disclosure for 2023/24 for the related party transaction note, but this does not impact primary statements. Further detail is set out on page 46, including minor disclosure adjustments.

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

We had one financial statements recommendation brought forward from the 2022/23 audit, and this has now been closed during 2024/25, as set out on page 56.

We have completed our audit work and issued an unmodified opinion on 04 December 2025.

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 and best value arrangements

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 2025, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified two significant risks and two risks which we felt were potentially significant depending on how the issues continued. The significant risks were in relation to the IJB's financial sustainability and financial management, reflecting the scale of the financial pressure facing the IJB over the medium term and the performance of the IJB in meeting its budgets in previous years. The potential risks were in relation to financial management, and whether the IJB had sufficient capacity to deliver the pace and scale needed to deliver on its financial budgets and savings plans, and whether the IJB was delivering an effective use of resources in relation to the Aberdeenshire Responders Care at Home (ARCH) service and the implementation of a new care management system, as issues were raised by the IJB's internal audit in respect of each.

Headlines (3)

Wider scope and best value arrangements (continued).

We have concluded that there remains a significant risk in respect of the financial sustainability and financial management, and that the risk in relation to management capacity does present a significant risk. However, we have concluded that the risk in respect of the delivery of the ARCH service and the new care management system is mitigated with the work ongoing, therefore for our purposes not deemed a significant risk. Further details of the work undertaken are outlined on pages 24 to 44.

It is noted that the overall Internal Audit opinion for 2024/25 provided 'limited assurance' for the IJB's risk management, internal control and governance processes. It is essential that effective action, and scrutiny of both external audit and internal audit recommendations occurs, and management should ensure that timely and proportionate action is taken in relation to the issues identified.

We have raised four wider scope recommendations for management as a result of our audit work. There were three wider scope recommendations brought forward from the 2022/23 and 2023/24 audits; two of these have now been superseded and one remains open. These recommendations are set out on pages 53 to 56.

Due to the level of follow up work and the amount of work required for wider scope, as indicated in our Audit Plan we have levied £4,800 additional audit fee as noted on page 59.

Integration Joint Board's have a statutory duty to have arrangements to secure Best Value. The IJB have arrangements in place to meet the Best Value obligations, however these could be strengthened by completing an assessment of the arrangements against the Best Value assurance framework, with the outcome being reported to the Audit Committee at the end of each financial year.

02 Introduction

Introduction

Scope of our audit work

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

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

This report is a summary of our findings from our external audit work for the financial year at Aberdeenshire IJB. The scope of our audit was set out in our External Audit Plan dated 25 June 2025.

The core elements of our audit work in 2024/25 have been:

- An audit of the IJB's annual report and accounts for the financial year ended 31 March 2025 [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.

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 IJB officers 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.

03 Materiality

Our approach to materiality (1)

As communicated in our Audit Plan dated 25 June 2025, we determined materiality at the planning stage as £9.560 million based on 2.0% of the prior year gross expenditure. At the planning stage we restricted our materiality to 2% in case expenditure was over £500 million. At year-end, we have reconsidered planning materiality based on the draft financial statements, and have updated materiality in line with the draft 2024/25 gross expenditure. Expenditure was below £500 million at the final stage. A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined materiality at £12,492,700 based on professional judgement in the context of our knowledge of the IJB, including consideration of factors such as prior year misstatements, the complexity of transactions and the stability of operating activities.

We have used 2.5% of gross expenditure as the basis for determining materiality. We are able to use up to 2.5% for an audited body with less than £500 million expenditure.

Performance materiality

We have determined performance materiality at £9,369,525, this is based on 75% of headline materiality. We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

Specific materiality

We have determined a lower materiality of £25,000 for the auditable senior officer disclosures within the Remuneration Report, on the basis that this is often an area of focus for the readers of the accounts and are lower value. Performance materiality has been determined at 75% of headline materiality to be £18,750.

Reporting threshold

We will report to you all misstatements identified in excess of £624,600, in addition to any matters considered to be qualitatively material. This is based upon 5% of materiality.

Our approach to materiality (2)

A summary of our approach to determining materiality is set out below.

	2024/25	2023/24	Summary
Materiality for the financial statements	£12,492,700	£9,562,000	<p>Materiality has been set at 2.5% of gross expenditure, as per the draft financial statements. In setting this threshold we have considered:</p> <ul style="list-style-type: none"> That there were no significant adjustments to the financial statements in 2023/24. There were no significant deficiencies have been identified with the IJB's control environment. The level of public interest in the IJB for Scotland by the public and the Scottish Government.
Performance materiality	£9,369,525	£7,172,000	Performance materiality has been set at 75% of headline materiality
Specific materiality for the auditable elements of the Remuneration Report	£25,000	£25,000	We will apply a lower materiality threshold of £25,000 on review of the Remuneration and Staff report disclosures to ensure that our audit strategy contemplates the public interest vested in the sensitive and influential information stated as part of this report. It is therefore appropriate for this lower level to be applied to ensure greater precision in this area of the accounts.
Reporting threshold	£624,600	£478,100	We will report to you all misstatements identified above the reporting threshold. This has been set at 5% of headline materiality.

04 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●

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

- Not 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 (1)

Risk identified	Audit procedures performed	Key observations
1. Management override of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>We have identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p> <p>We have:</p> <ul style="list-style-type: none"> Documented our understanding of and evaluated the design effectiveness of management's key controls over the preparation of the financial statements and journals, Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness, Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions, Analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals, Tested the high-risk journals we have identified. 	<p>Our audit work has not identified any issues in respect of management override of controls.</p> <p>We have noted no material adjustments or findings in relation to override of controls.</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p>

Significant risks (2)

Risk identified	Commentary
<p>2. Fraud in expenditure recognition</p> <p>As set out in practice note 10 (Revised 2020) '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.</p> <p>The IJB delegates services to Aberdeenshire Council and NHS Grampian. A budget is agreed by all parties in advance of the financial year. It is up to the Council and the NHS Board to spend the delegated budget, as agreed with the IJB.</p>	<p>Having considered the risk factors set out in PN 10 and the nature of the expenditure streams at the IJB, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because opportunities to manipulate revenue recognition are very limited. Therefore, we do not consider this to be a significant risk for IJB. This assessment remains appropriate at the year end.</p>
<p>(rebutted)</p> <p>3. Fraud in revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>(rebutted)</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the IJB, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. <p>Therefore, we do not consider this to be a significant risk for the IJB. This assessment remains appropriate at the year end.</p>

05 Other findings

Other findings – significant matters

Issue

1. Related party disclosure adjustment

In 2024/25, the prior period comparator figures in ‘Note 7 – Related party transactions’ have been restated. In 2024/25, the IJB changed the way that it disclosed transactions made between Aberdeenshire Council and NHS Grampian, which conceptually pass through the IJB, although no cash changes hands. The new method of disclosure more accurately captures the relationship between the IJB and its two partners in isolation of each other. To ensure comparability between the two years, the 2023/24 comparator figures have been restated to align with the new method. There is no impact on the figures in the primary financial statements as the adjustments only move between balances in the related party disclosure note. The disclosures have been amended as a result of audit challenge to include a formal prior period adjustment note and additional information about the nature of the restatement.

Auditor view:

The accounts have been appropriately updated, and the disclosures have been improved.

Management view:

Agreed.

Other findings – information technology

IT application	Level of assessment performed	ITGC control area rating					Related significant risks/other risks
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	● Green	Management override of controls
eFinancials	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	● Green	Management override of controls

Assessment:

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

06 Communication requirements and other responsibilities

Other communication requirements (1)

Issue	Commentary
Matters in relation to fraud and irregularity	<p>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.</p>
Accounting practices	<p>We have evaluated the appropriateness of Aberdeenshire IJB's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed on pages 46 and 47.</p>
Matters in relation to related parties	<p>We are not aware of any other related parties or related party transactions which have not been disclosed. The principal related parties are Aberdeenshire Council and NHS Grampian.</p>
Matters in relation to laws and regulations	<p>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.</p>
Other information	<p>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.</p>

Other communication requirements (2)

Issue	Commentary
Governance statement	<p>We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).</p> <p>No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required by the Accounts Commission to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective.</p> <p>We have nothing to report in respect of these matters.</p>
Written representations	<p>A letter of representation has been requested from the Integration Joint Board as required by auditing standards. We have requested specific representations in respect of the prior period adjustment, in this letter.</p>
WGA return	<p>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 (Aberdeenshire Council). We will complete the relevant specified procedures and prepare and submit a partial assurance statement once we have completed all our work on Aberdeenshire Council's financial statements, and when the final guidance is received.</p>
Health board consolidation	<p>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.</p>

Other communication requirements (3)

Issue	Commentary
Other returns to Audit Scotland	<p>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.</p>
Going Concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Integration Joint Board meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's (senior officer's) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's (senior officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

07 Wider scope and best value

Executive summary and conclusions (1)

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

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Financial management	<p>A significant risk was identified in relation to the accuracy of the IJB's financial budgets and savings plans. In addition, we recognised a potential risk that the IJB may lack the capacity required to deliver the pace and scale of change required to deliver on its financial budgets and savings plans.</p>	<p>We have considered whether the body has effective arrangements to secure sound financial management. In response to the risks identified, we have:</p> <ul style="list-style-type: none"> Reviewed progress against the 2025/26 savings plans and budget, Reviewed plans for defining and delivering the efficiency savings, Reviewed the capacity of officers to deliver the planned savings and transformation. Assessed arrangements for communication of issues with partner bodies 	<p>Yes – a significant risk remains in relation to the accuracy of the IJB's financial budget, in particular their savings plan.</p>	<p>Aberdeenshire IJB's 2024/25 budget identified a shortfall before savings and mitigations of £20 million. Of the savings which were budgeted, £7.5 million were classified as unidentified 'general' savings. These 'general' savings were never identified throughout the year and were not delivered. The IJB also failed to deliver on its identified savings, having delivered only £4.4 million of the total £20.1 million savings target.</p> <p>As a result, the IJB overspent against its budget by £24.4 million. Having expended all their reserves in 2023/24, the IJB's funding partners, Aberdeenshire Council and NHS Grampian, were required to provide additional funding at late notice, having a detrimental effect on their own budgets.</p> <p>A recommendation has been made on page 51.</p>



No risks identified



Other risks identified.



Significant risk identified.

Executive summary and conclusions (2)

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Financial sustainability	A significant risk was identified in relation to the IJB's medium term financial sustainability.	<p>We have looked ahead to consider whether the body is planning effectively to continue to deliver services. In response to the identified significant risk, we have:</p> <ul style="list-style-type: none"> Reviewed the IJB's medium term financial planning and assess the accuracy and achievability of these plan, Assessed the impact of savings on the quality of service delivery and/or provision of services, Reviewed and assessed the IJB's Financial Recovery Plan. 	Yes – a significant risk remains in relation to the IJB's medium to long term financial sustainability and their ability to close their funding gap.	<p>The IJB has implemented a more accurate budget setting process for 2025/26. However, this budget still includes £8.009 million of unidentified 'general' savings which were unidentified, and a £17.155 million funding gap which has been underwritten by the IJB's partners.</p> <p>The latest financial monitoring position to 31st October 2025 shows the IJB are forecasting a total underspend of £4.103 million for 2025/26. This represents an improvement on previous projections and would mean the IJB's partners do not require to provide all the underwritten funding.</p> <p>Overall, the identification and management of the IJB's financial position is significantly improved compared to prior years, thanks to the improved budget accuracy. However, the current MTFS shows a cumulative funding gap of £56.981 million in the period 2023/24 to 2028/29 and this is likely understated as the strategy has not been updated in recent years. The pace and scale of savings therefore needs to increase significantly to meet the longer-term funding gap.</p> <p>A recommendation has been made at page 51.</p>

Executive summary and conclusions (3)

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Use of resources to improve outcomes	We have identified a potential risk relating to the IJB's effective use of resources in light of recent internal audit reports relating to the implementation of the new care management system and ARCH.	<p>We have considered the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services. We have:</p> <ul style="list-style-type: none"> Reviewed the progress against the recommendations made by internal audit, Reviewed the findings made by internal audit and consider any potential wider application across the IJBs services, Reviewed the 2024/25 annual performance report and assessed the IJB's performance and progress against KPIs and other success measures. 	No – there is an 'other' risk in relation to the IJB's ability to use resources to improve services, as demonstrated by the overspends and delays seen with the implementation of the new care management system and ARCH.	<p>The IJB's strategic plan is ending at the close of 2025, and a new plan, with an accompanying strategic delivery plan and MTFS, is being developed. The new plan will take a longer-term view, looking at the next 10-year period. It is important that these documents are available before the 2026/27 budget is approved.</p> <p>The IJB uses several metrics to measure performance, including formal inspections, surveys and national benchmarks. The AHSCP is generally performing well across all performance measures with isolated areas of poorer performance which is being managed.</p> <p>The Internal Audit Annual Report for the 2024/25 year provided only "limited assurance". Recommendations made by IA have been accepted by management and are in the process of being implemented. However, the Audit Committee has not been provided with follow up. A recommendation was made in respect of this issue during the 2023/24 audit, a follow up on the recommendation can be found on page 55.</p>

Executive summary and conclusions (4)

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Vision, leadership and governance	No significant risks identified at planning.	We have considered the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body, and considered the effectiveness of governance arrangements for delivery, which includes openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.	No – there is an ‘other’ risk identified that exists in relation to the number of ‘interim’ management positions in post.	<p>The IJB implements a committee structure with the IJB Audit Committee and the Clinical and Adult Social Work Governance (CASWG) Committee supporting the work of the Board.</p> <p>The IJB maintains a risk register and audit recommendations tracker, which are reported through the Risk and Assurance Group, but these have not been regularly reported to the Audit Committee. Without visibility of these reports the Audit Committee cannot appropriately provide oversight and scrutiny. A recommendation was made in respect of this issue during the 2023/24 audit, a follow up on the recommendation can be found on page 53.</p> <p>Finance reports presented to the Board and Committees are detailed and clearly presented. Minutes are available on the IJB’s website allowing for openness and transparency.</p> <p>The use of interim appointments represent a risk to long term stability. A number of senior officer and management positions are held on an interim basis. A recommendation has been noted at page 49.</p>

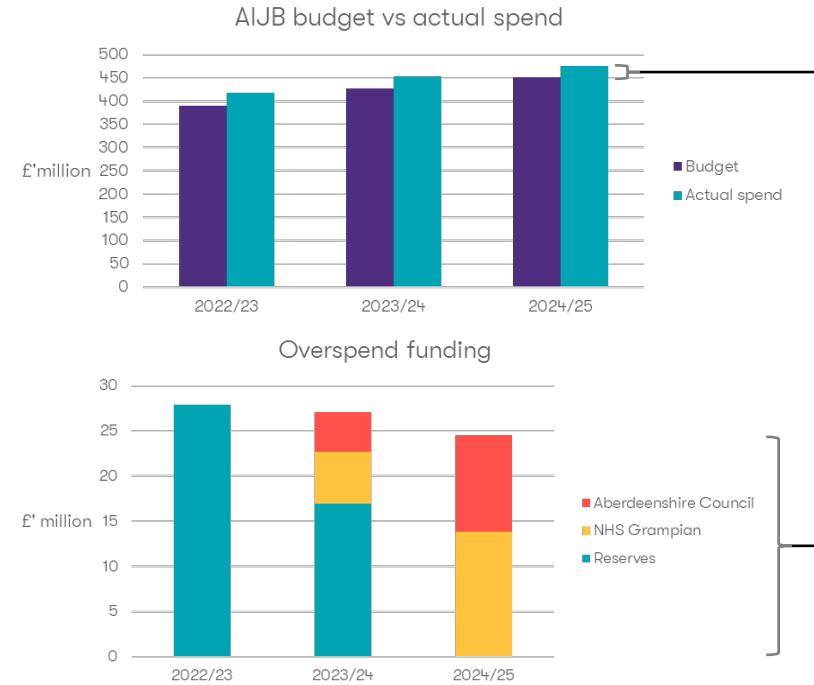
Financial management (1)

2024/25 Outturn position

In 2024/25 the IJB have achieved an outturn spend of £476.5 million against a budget of £452.1 million, meaning there has been an overspend of £24.4 million (5.4%). This continues a pattern of overspends over the past few years, with a £27.9 million (7.2%) overspend in 2022/23, and a £28.3 million (6.4%) overspend in 2023/24.

Whilst the level of overspend has been improving as a percentage of budget, the IJB is now in a position where its reserves are fully depleted and therefore any overspends are being funded by the partner organisations, NHS Grampian and Aberdeenshire Council, with an increasing level of burden.

The full value of the £24.4 million overspend has been funded by the partner organisations for 2024/25, in line with the cost sharing agreement, with £13.8 million funded by NHS Grampian and £10.7 million funded by Aberdeenshire Council. Notification of the need to provide this additional funding was made part way through the year, placing an unexpected and significant financial pressure on each of the partners.



The two main drivers of the 2024/25 overspend are a £12.1 million overspend on staff costs, and a £10.7 million overspend on third parties, reflecting that the spend has been on service delivery.

Conclusions

The IJB have overspent consistently for the past three years, indicating that budget setting processes were not based on fully costed information.

The IJB expended all its reserves in 2023/24 and therefore has no capacity to absorb any future overspends.

The timeliness of communications with the partner organisations has not been sufficient in 2024/25 and the unexpected need to provide additional funding has placed significant financial pressures on each organisation.

Financial management (2)

2024/25 Outturn position (continued)

At a service level, the largest overspends have been seen in the following service areas:

Services with highest overspends	£million
Older people – care management	8.977
Older people – home care and ARCH responders	1.373
Older people – residential care	1.961
Adult services – community care	3.631
Adult services – residential care	1.390
Headquarters (staffing costs)	2.985
Other services	4.082
Total	24.399

There is a recognition that many of these services are demand led and therefore difficult to predict and control. However, the overspends are significant and unsustainable. With funding not expected to increase, the IJB will need to find significant long-term savings to operate within their budget, whilst continuing to meet the needs of users in an

increasingly complex environment.

A review of all care packages is underway, and training has been given to all practitioners to identify those packages which fall outside of the eligibility criteria and to ensure effective delivery methods are being implemented. As a result of these efforts, from April – July 2025, the total number of care packages have reduced by 2.3% from 4,791 to 4,679 packages. However, a higher proportion of lower value packages have been closed, meaning that the total cost of packages has reduced by only 1.8% from £16.616 million to £16.314 million, saving only £0.302 million.

There are proposals to reduce the inhouse provision of home care, in favour of commissioning care from external providers, as this is expected to be a lower cost model. Residential care is also under review, with proposals to close two care homes, however these closures were not progressed. These proposals were both built into the savings approach for the 2025/26 budget, an update on the progress against these proposals can be found on page 35.

Despite these proposals, the IJB will need to continue to find further savings in future periods to bridge the funding gap which is currently being funded by the partners.

Conclusions

The IJB's 2024/25 overspend has mainly been driven by higher than anticipated costs associated with adult and older people's care.

The IJB is reviewing services with the aim of identifying cost savings whilst continuing to meet the needs of service users. The pace and scale of these savings is unprecedented to bridge the funding gap highlighted by the 2024/25 outturn, as any future overspends will not be able to be met with reserves and it is unlikely that the partners will be able to continue to fund overspends at current levels.

Financial management (3)

2024/25 Savings outturn

The 2024/25 revenue budget included £20.1 million of savings, transformation, efficiencies and additional income to balance the identified shortfall. Of this, £7.5 million related to 'additional savings' which, at the time of budget setting, was unidentified and was applied across all service areas on a pro-rata basis.

The IJB have been unable to identify how much of the 'additional savings' have been achieved, if any. Of the remaining £12.6 million of savings and additional income, the IJB have identified achieved savings of £4.4 million, or 34.9%.

The failure to deliver on budgeted savings in the 2024/25 year is a major contributor to the overall overspend in year and will place additional pressure on the IJB in the 2025/26 year.

	Budget savings £million	Achieved £million	Not achieved £million
Savings	2.1	0.7	1.4
Effective use of resources	6.4	1.6	4.8
Pension contribution reduction	2.1	2.1	0.0
Transformation	1.0	0.0	1.0
GP prescribing efficiencies	0.8	0.0	0.8
Fees and charges increase	0.2	0.0	0.2
Total	12.6	4.4	8.2
		34.9%	65.1%

Conclusions

The IJB only met £4.4 million of their total £20.1 million savings target in 2024/25. The IJB must develop realistic and achievable savings plans as part of their annual budgets. They must be able to identify all savings and have clarity over how, when and by whom they will be delivered.

The inclusion of unidentified 'additional savings' in the 24/25 essentially represents an unfunded budget gap which was not adequately addressed. The IJB should work to secure budgets which include identified savings targets and have clear plans about additional savings and how they will realistically be achieved.

The IJB's failure to deliver an accurate budget, including achievable savings plans, represents a **significant risk**. A recommendation has been made on page 50.

Financial management (4)

Recovery plan

On 11 December 2024, the Board agreed that a recovery plan should be prepared to address the significant level of overspend which was forecast at that time to be £26.278 million.

On 19 February 2025, the Board were presented with a draft recovery plan for their consideration and discussion.

The plan included a governance and leadership framework for delivering financial recovery. This included the need for formal reporting to Aberdeenshire Council and NHS Grampian to ensure scrutiny, accountability and progress is evidenced. As a result, an IJB finance update is now been taken to the NHS Grampian Board and to full Council meetings on a regular basis by the IJB's Chief Officer.

These reports provide an update on the progress against the budget, progress against savings and an anticipated over/underspends.

The recovery plan includes a list of proposals for service reductions, reviews, efficiencies and increased charging, aimed at restoring financial balance whilst ensuring the continued delivery of safe, effective and sustainable health and social care services.

Conclusions

The IJB have implemented a recovery plan which sets out improved communication with the partner bodies and more accurate budgeting for 25/26.

Financial management (5)

National comparisons

The [Accounts Commission Integration Joint Boards Finance and Performance Report](#) issued in July 2024, showed that in 2022/23, of the 30 IJBs across Scotland, 19 reported a surplus, 3 reported a breakeven position and 8 reported an overspend. Of the 8 overspent IJBs, Aberdeenshire was the second most overspent as a proportion of net cost of services, exceeded only by Shetland IJB.

The [Accounts Commission Integration Joint Boards' Finance Bulletin 2023/24](#) issued in March 2025, shows that by 2023/24 the majority of IJBs were reporting a deficit position, and at that time 6 IJBs were reporting higher deficits as a proportion of net cost of service than Aberdeenshire. However, at the close of 2023/24, Aberdeenshire was the only IJB reporting a £nil reserve position.

Whilst we recognise that IJBs as a whole are facing a challenging financial landscape, the lack of any reserves entering 2025/26 and the exceptionally high deficits reported over the past three years places Aberdeenshire IJB in a particularly precarious position.

Conclusions

The IJB has a number of key management positions held by interim appointments. The IJB needs to find permanent appointments as a matter of urgency to provide long term stability.

Aberdeenshire IJB's financial position is not unique, but it is among the most challenged IJBs across Scotland and at the end of 2023/24 it was the only IJB to have expended all of its reserves, placing it in a particularly precarious position.

Financial sustainability (1)

2025/26 budget and savings plans

On 19 March 2025, the IJB approved a 2025/26 revenue budget of £420.933 million (exclusive of the set aside budget).

In recognition of the issues presented in the 2024/25 budget, management took the starting point for the 2025/26 budget as the overspent position for 2024/25 as opposed to the 2024/25 budget spend position. At the time, the forecast overspend was expected to be £436.247 million. The actual outturn for 2024/25 was £437.708, causing an immediate additional £1.461 million pressure which has not been accommodated for in the budget.

The starting position has been adjusted to account for 2024/25 spend which is not expected to recur in 2025/26 of £17.643 million, and new budget pressures which are expected in 2025/26 of £22.057 million. The new budget pressures largely relate to increases to staffing costs as a result of expected pay awards and increases to the real living wage, and the consequential impact on national insurance contributions, as well as general inflation and the expected cost of the national care home contract.

2025/26 revenue budget	£million
2024/25 outturn position expected at budget setting	436.247
Non-recurring spend in 2024/25	(17.643)
Budget pressures arising in 2025/26	22.057
Savings	(7.779)
Efficiencies savings (2.5%)	(8.009)
Increases in charges income	(3.939)
Total revenue budget for 2025/26	420.933
2024/25 partner funding contributions:	
– NHS Grampian	202.019
– Aberdeenshire Council	171.180
– Resource transfer	28.430
Expected new funding	2.150
Total funding	403.779
Funding shortfall	17.155

Conclusions

The budget setting process has been improved for 2025/26, by building the budget from the prior year outturn position instead of the prior year budget spend.

Partner organisations received more accurate financial projections for 2025/26 ahead of the financial year, which allowed earlier discussion of the funding shortfall position.

Financial sustainability (2)

2025/26 budget and savings plans (continued)

These new budget pressures are partially offset by additional funding of £2.150 million which is expected to be made available in respect of the real living wage costs and changes to national insurance contributions.

As part of the budget, the IJB approved an increase in the cost of a number of chargeable services in the Adult Health and Social Care Partnership which were previously not breaking even. By moving to a full cost recovery model, the IJB hopes to generate a further £3.939 million of income. Officers have estimated that the changes will impact on approximately 2,500 self-funding service users in Aberdeenshire.

The 2025/26 budget includes a total of £15.788 million of savings, £7.779 million of which is identified recurring savings and £8.009 million which is a general efficiency target of 2.5%, applied across all services. A similar efficiency target of £7.5 million was applied to the 2024/25 budget, but the IJB do not track the delivery of these savings and are therefore unable to identify how much of the £7.5 million saving was achieved, beyond knowing that the final outturn position was a £24.4 million net overspend.

In 2024/25 the IJB achieved identified savings of £4.4 million, compared with a target of £7.779 million in 2025/26. Therefore, the achievement of the budgeted £15.788 million for 2025/26 would be an unprecedented success, if achieved. The latest updates on the progress of these savings shows that full delivery is not likely to be achieved. The budget leaves a £17.155 million funding shortfall, which has been underwritten by the IJB's two funding partners; Aberdeenshire Council and NHS Grampian, placing additional pressure on their own finances. It is therefore critical that the IJB both delivers on its 2025/26 budgeted savings and finds additional long-term savings to fund this gap for future periods.

Conclusions

Whilst the 2025/26 budget setting process has been improved and the budget is therefore more realistic than in previous years, the budget still includes £8.009 million of 'general efficiency' savings which were not identified at the time of budget setting and have not been identified since. These savings are not being monitored separately. All budget savings should be fully identified with a clear plan for how, when and whom they will be delivered.

Financial sustainability (3)

2025/26 budget and savings progress to date

The most recent revenue monitoring report was provided to the October 2025 Board Meeting. The report provides an update on the IJB's performance up to 31 July 2025.

At 31 July 2025, the IJB has achieved an underspend position of £4.287 million, against a revised budget of £438.132 million. However, the predicted year end forecast was a £0.932 million overspend. The predicted net overspend is being driven by the expectation that only £2.854 million of the budgeted £7.779 million savings will be achieved; a loss of £4.925 million of savings.

The main area of unachieved savings is £3.107 million which was expected to come from the redesign of the in-house home care service and Aberdeenshire Responders for Care at Home (ARCH). The redesign has not progressed as planned and this has resulted in lower than budgeted savings.

Another area of expected overspend is on older people's residential care. At the time of budget setting, it was expected that £1.9 million of savings could be achieved, however, the saving option has not progressed due to the prohibitive cost of redundancy costs and lower than anticipated savings. The service is predicting a £2.469 million overspend.

The overspend on the care of older people is being largely offset by; higher than anticipated savings on headquarter costs, resulting from a recruitment freeze and service redesign seeing the removal of several posts; a stronger performance on the cost of primary care when compared to 2024/25; and an anticipated underbudget position on GP prescribing.

Due to the passage of time since the last monitoring reporting date, the finance team have provided a high-level analysis of the monitoring position up to 31st October 2025.

As 31 October 2025, the IJB has achieved an underspend position of £8.568 million and are now forecasting a total underspend for 2025/26 of £4.103 million. This shows improvement from the last reported position and will result in the IJB utilising £13.052 million of the available £17.155 million of underwriting committed to by the funding partners. The savings position has also moved, with the IJB anticipating that £5.062 million of budgeted savings will now be achieved.

Overall, this position is a significant improvement on the performance in recent years and reflects the improvements that have been made to the budget setting process, alongside improved financial monitoring and understanding of cost and income drivers.

Conclusions

The IJB has achieved a net underspend of £8.568 million in the first seven months of 2025/26 and are expecting to achieve an underspend against the revised budget of £4.103 million.

Despite anticipating that £2.717 million of planned savings won't be delivered in 2025/26, the IJB is still predicting a net underspend of £4.103 million for the year, which reflects the progress made across the services to reduce costs and review the fee model for chargeable services

Financial sustainability (5)

Medium term financial strategy

Historically, the IJB have updated their medium-term financial strategy (MTFS) annually, for the following 5-year period. Management plans to develop a MTFS for the period 2026/27-2028/29 over the summer of 2025, to inform the subsequent budget setting process for 2026/27 to 2028/29. However, this has slipped, and the aim is to produce an updated MTFS in advance of the 2026/27 budget setting.

The latest MTFS showed a cumulative funding gap of £56.981 million over the period 2023/24 to 2028/29. This was based on the expected budget for 2024/25 of £415.607 million, with an uplift applied annually for expected increases.

The actual base budget for 2024/25 was £413.309 million, however the outturn for the year was £437.708 million; £22 million more than anticipated in the MTFS.

Similarly, the budget for 2025/26 has been set at £442.122 million, a further £10 million higher than the MTFS prediction.

Whilst the 2024/25 overspend was funded by the partners, the funding received for 2025/26 is lower than the MTFS expected, which has created a £38.343 million pressure.

It therefore seems likely that the true funding gap over the period to 2028/29 will be higher than that predicted by the MTFS and the IJB will need to continue to identify and deliver further savings in future periods.

Conclusions

The IJBs current MTFS shows a cumulative funding gap of £56.981 million over the period 2023/24 to 2028/29. However, the MTFS is now largely out of date, and it is likely that the true funding gap is much larger.

It is critical that the IJB produce an updated MTFS with a realistic prediction of the funding gap, with an achievable savings plan to meet it. This is imperative not only for the IJB, but also for their funding partners whose own finances have come under significant pressure from having to provide late notice additional funding in 2024/25 and having to underwrite the funding gap in 2025/26.

A recommendation has been made in respect of this issue, which can be found on page 52.

Use of resources to improve outcomes (1)

Strategic plan

The current AHSCP Strategic Plan covers the period 2020-2025 and is due to be updated this year.

The IJB receives quarterly performance reports on the delivery of the strategic plan. However, due to capacity during the last quarter of 2024/25 and first quarter of 2025/26 having been focused on delivery of agreed budget saving workstreams the last quarterly report was submitted to the IJB in December 2024.

As this plan is now ending, a new Strategic Plan and supporting Strategic Delivery Plan (SDP) is to be agreed by the end of 2025. An evaluation was conducted to assess the implementation of the SDP for the 2022-2025 period, which led to a number of learning points in support of the new plan.

A draft version of the new Strategic Plan has been prepared. The new plan takes a longer-term view, looking at a 10-year period, and will be reviewed every 3 years. A Strategic Delivery Plan will be developed to outline actions, outcomes and performance measures, and will be reviewed annually.

The proposed vision statement is:

“Working in partnership to empower and support people to live long, healthy lives.”

This will be supported by two strategic priorities; ‘early intervention & prevention’, and ‘health and social care services – supporting those with greatest need in our community’.

The Strategic Plan is being developed in a challenging demographic context. The population is aging; with the number of people aged 65 and over having risen by 65% in the last 20 years, compared to a rise of only 33% across Scotland as a whole, and now representing 20.4% of the total population of Aberdeenshire. The total population is predicted to grow by 2.5% by 2028, a 0.7% higher rise than the rest of Scotland. Furthermore, all this projected growth is expected to be within the 65+ age group, which is expected to increase by 23%, compared to 19% nationally.

In summary, the AHSCP is facing a growing and aging population which operates in a largely rural setting; presenting a number of significant and unique challenges.

These challenges will need to be appropriately reflected in the Strategic Delivery Plan and the supporting Medium Term Financial Strategy and Workforce Plan.

Conclusions

There has been a focus on short term delivery in the last 6 months meaning that quarterly performance reports have not been taken to the Board since December 2024. It is important that the IJB delivers on its financial targets, but it needs to do this whilst maintaining service delivery and non-financial performance and regular reporting is a key part of providing the governance and monitoring that ensures this.

A recommendation has been made in respect of this issue, which can be found on page 52.

Use of resources to improve outcomes (2)

Annual Performance Report

The IJB received their Annual Performance Report in July 2025. This report provides a detailed overview of key challenges, achievements and performance over the year.

The HSCP's performance is monitored against the 23 national core suite of integration indicators which provides the framework for all HSCPs in Scotland to benchmark their performance and progress towards delivery of the 9 National Health and Wellbeing Outcomes.

The report showed that of the 23 indicators 16 were green (70%), indicating that the “current position is the same or better than Scotland”. One indicator was rated ‘Red’ which was for the ‘percentage of people with a positive experience of the care provided by their GP practice’, meaning that the “current position is worse than Scotland by more than 5%”. Whilst this is a negative result, the picture does appear to be improving when compared with previous years.

National Core Suite of Integration Indicators	2024/25	2023/24
Red	1	1
Amber	2	3
Green	16	15
Data unavailable	4	4

There are three main Inspection Agencies which operate inspection programmes in the health and social care setting; these are the Care Inspectorate, Healthcare Improvement Scotland and the Mental Health Welfare Commission.

The Care Inspectorate performed a number of reviews in the 2024/25 period. Inspections are graded on a six-point scale where 1 is unsatisfactory and 6 is excellent. All of the inspections were graded either a 4 or a 5, which is a positive result. This is with one exception; the Durnhythe Care Home was inspected in February 2025 and given grades of 2 and 3 against the five areas inspected. An improvement action plan has been developed and a follow up inspection in May 2025 noted improvements.

Conclusions

The IJB needs to ensure that a new Strategic Plan, supported by a SDP and MTFS is prepared in advance of the 2026/27 budget. These plans need to be realistic and forward looking, taking into account the demographic challenges facing Aberdeenshire over the medium term. It needs to be clear how the IJB intends to meet any identified funding gaps, whilst maintaining service delivery.

A recommendation has been made in respect of this issue, which can be found on page 52.

Use of resources to improve outcomes (3)

Annual Performance Report (continued)

Employees take part in the iMatter Health and Social Care Staff Experience Survey, which is an NHS Scotland-wide annual survey which is designed to enable health and social care teams to recognise and celebrate their achievements whilst also identifying opportunities for organisations to support continuous improvement through staff feedback. Results are primarily in the “Strive & celebrate” range for the Aberdeenshire HSCP, which is the highest category and a great achievement. However, the trends over the last 4 years show a slight steady decline in responses, with responses to 5 of the 28 questions now slipping into the “monitor to further improve” category.

Whilst overall the survey shows a very positive result, there are learnings to take away in terms of how the Board interacts with staff and how staff engage with the changes being made.

Conclusions

Aberdeenshire IJB is generally well regarded and performs well across a range of metrics. Performance against the National Core Suite of Integration Indicators showed 70% were the “same or better than Scotland”.

The Care Inspectorate undertook 9 inspections in 2024/25, and 8 were graded with a 4 or 5 out of 6, which is a positive achievement.

Performance against the iMatter Staff Experience Survey was also positive with results primarily in the “Strive & celebrate” category.

There are some isolated instances of poorer performance which should be reflected on and regularly monitored and reported to the Board, especially during this challenging period of change.

Use of resources to improve outcomes (4)

Internal Audit

The Internal Audit (IA) Annual Report for 2024/25 was presented to the IJB's Audit Committee on 25 June 2025. The overall opinion provided by the Chief Internal Auditor was that he could “only provide limited assurance that the Aberdeenshire Integration Joint Board had adequate systems of governance, risk management and internal control, covering the period 01 April 2024 to 31 March 2025.”

During 2024/25, including post year end assurance work, IA has completed four reviews across the IJB and Health and Social Care Partnership Services delivered by the Council.

Area	Level of net risk	Assurance level
Aberdeenshire Responders Care at Home (ARCH) (HSCP)*	Major	Limited
Care Management System (HSCP)	Major	Limited
Very Sheltered Housing (HSCP)	Moderate	Reasonable
IJB Counter Fraud (IJB)	Moderate	Reasonable

*HSCP relates to those reviews of services that the Council delivers on behalf of the IJB. IJB relates to those services that the IJB delivery strategically or through various partners.

The Aberdeenshire Responders for Care at Home (ARCH)

ARCH is a 24-hour service for unplanned and urgent care needs with a maximum 4-hour response time which is provided 365 days a year. The service works with patients and families to prevent a hospital admission and, once medically fit, to promote as early a discharge as possible. IA found that, whilst the service has been rated as good/very good by the Care Inspectorate in November 2024, “resources for the service are stretched, with budgets under significant pressure”, and that there were “several areas of weakness where changes need to be made to strengthen the framework of control, and to aid in transitioning the service to a more sustainable business model.”

Conclusions

Internal Audit issued a limited assurance opinion for 2024/25, which signals that improvements need to be made. The AHSCP did receive a positive opinion in 2023/24, but the 2022/23 opinion was also limited, which can be seen to reflect the challenging period the IJB is experiencing and the need to embed strong, consistent, long term governance processes.

The IJB received two limited assurance reports on major risk areas during the year. These related to ARCH and the new care management system.

Use of resources to improve outcomes (5)

Care Management System

The HSCP is currently utilising CareFirst as its care management system. The service is in the process of working towards implementing a new cloud-based system, Eclipse, which is provided by the same supplier.

IA have identified several risks, which they have classified as 'major' risks, relating to project management, procurements and extensions and system specification.

The project has now been delayed several times. Committee approval to procure the system was granted in February 2021 and runs until March 2027, with the option to extend until March 2029 on the condition of remaining within the originally agreed level of costs.

Conclusions

The IA review of the ARCH service and implementation of the new care management system have both highlighted areas of poor systems of governance, risk management and internal control. It is important that the IJB seeks to address recommendations made by IA in a timely manner, and that progress against these recommendations is regularly reviewed by the Audit Committee to ensure progress is made.

Vision, leadership and governance (1)

Governance statement

The IJB's Annual Governance Statement (AGS) includes details on the composition and governance structure of the Board, and how that supports the delivery of the organisation's priorities and strategic aims. This includes details about the governance arrangements at each of the partner bodies; Aberdeenshire Council and NHS Grampian

Leadership and committee effectiveness

The Integration Joint Board (IJB) is a joint board of Aberdeenshire Council and NHS Grampian, overseeing the Aberdeenshire Health and Social Care Partnership (AHSCP), which manages adult Social Care and Health services in Aberdeenshire.

The IJB consists of 5 Aberdeenshire Councillors and 5 NHS Grampian Board members. There are also non-voting members which include council and NHS officers as well as representatives from users of adult health and social care services, carers groups, trade unions and the third sector.

The IJB Audit Committee and the Clinical and Adult Social Work Governance (CASWG) Committee are two sub committees of the IJB. The IJB Audit Committee provides

updates to the IJB on audits, risk management, financial controls and performance. The IJB Audit Committee also takes on the role of those charged with governance (TCWG). The CASWG committee provides updates to the IJB on the provision of safe, effective, person-centred adult health and social care.

The IJB meet regularly, with meetings every 1-2 months. The Audit Committee met regularly in 2024, with meetings every 1-2 months. However, in 2025 the Audit Committee have only met twice, due to a planned meeting in September being cancelled. It is important that the Audit Committee is meeting regularly and reviewing internal/external audit recommendations at each meeting, especially in relation to major or significant risks. When they meet, we have observed that the Board and Committees provide detailed challenge of issues raised, with ample time given over to discussion. Finance reports presented to the Board and Committees are detailed and clearly presented, enabling robust scrutiny.

The availability of the reports to the public, through the IJB's website, allows for openness and transparency of decision making.

Conclusions

The IJB has a committee structure with the Board supported by IJB Audit Committee and the Clinical and Adult Social Work Governance (CASWG) Committee, as well as several sub-groups.

The Audit Committee has not met since June 2025 due to the September 2025 meeting being cancelled. We note that the quality of finance reports presented to the Audit Committee are good.

Vision, leadership and governance (2)

Risk management and audit recommendations tracker

IJB, strategic and operational risks are recorded on the risk management system, Datix, and are added, managed and reviewed by risk owners and handlers. Initial oversight of operational and IJB risks takes place at either the Clinical and Adult Social Work Group or the Risk and Assurance Group. The Strategic Planning Group has oversight of the Strategic Delivery Plan risks and can escalate concerns and reports via the Risk and Assurance Group to the Audit Committee or CASWG Committee.

Reporting on the risks held on the risk register is made to the Audit Committee, however due to cancellation of the September 2025 Audit Committee meeting, they have not had oversight of the risk register since February 2025.

Similarly, progress against internal audit recommendations is reported to the Risk and Assurance Group, but is not routinely reported to the Audit Committee, despite a recommendation to do so being made during our 2023/24 audit, which was accepted by management.

Temporary senior officer appointments

Leigh Jolly became the new Interim Chief Officer on 28 May 2025, and was subsequently appointed permanently on 22 September 2025. Her previous role was as the Head of Children's Social Work Services and Chief Social Work Officer (CSWO). Andrew Dick, Interim Head of Children's at Aberdeenshire Council, has assumed the position of CSWO for Aberdeenshire Council from 20 June 2025. Gillian Milne has taken over as Interim Chief Finance and Business Officer, however Mary Beattie continues to have Section 95 Officer responsibilities for the IJB. These new appointments will provide the IJB management team with short term stability, but the IJB needs to prioritise the appointment of permanent positions.

Taking steps to achieve some permanence in senior officer roles is critical. There has been an unprecedented level of turnover during 2024/25, which the IJB has addressed immediately in a temporary nature. Timely future plans to secure permanent senior officers will be required. A recommendation is made at page 49.

Conclusions

We would expect the Audit Committee to be reviewing progress against internal and external audit recommendations, and actions against identified risks on the risk register, on a frequent basis.

A recommendation was made as part of the 2023/24 audit in respect of this issue, an update on this recommendation can be found on page 55.

Best value conclusions

Under the Code of Audit Practice, the audit of Best Value in Integration Joint Boards 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.

Conclusions

Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, Integration Joint Boards should have effective processes for scrutinising performance, monitoring progress towards the strategic objectives and holding partners to account. We confirm that there are arrangements in place to secure Best Value. However, we have noted that the IJB have no mechanism for formally reviewing and reporting on their arrangements to secure Best Value. We recommend that the IJB should undertake a formal review of the Best Value arrangements and complete an assessment of the arrangements to secure Best Value. The outcome of the assessment should be reported to the Audit Committee at the end of each financial year, with reference made to this assessment in the Annual Governance Statement. A recommendation has been made at page 52.

08 Audit adjustments

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

There have been no adjustments in the 2024/25 year that impact on the primary financial statements.

Impact of unadjusted misstatements

There have been no unadjusted misstatements identified during the audit.

Adjustments in the draft accounts to comparators – 2023/24 related party transactions

In 2024/25, in the draft accounts that we received for audit, the prior period comparator figures in 'Note 7 – Related party transactions' have been restated. In 2024/25, the IJB changed the way that it disclosed transactions made between Aberdeenshire Council and NHS Grampian, which conceptually pass through the IJB, although no cash changes hands. The new method of disclosure more accurately captures the relationship between the IJB and its two partners in isolation of each other. To ensure comparability between the two years, the 2023/24 comparator figures have been restated to align with the new method.

There is no impact on the figures in the primary financial statements as the adjustments only move between balances in the related party disclosure note. The disclosures have been amended as a result of audit challenge to include a formal prior period adjustment note and additional information about the nature of the restatement.

Audit adjustments (2)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Issue	Adjusted?
Expenditure and income analysis by nature	The IJB finance team identified that £77k had been incorrectly disclosed as services commission from Aberdeenshire Council when it actually related to employee benefit expenditure. There is no impact on the primary statements as this is purely presentational. The amount is below our reporting threshold but has been corrected.	Yes
Related parties	<p>The disclosed expenditure on payments to NHS Grampian was under stated by £3k and the expenditure on payments to Aberdeenshire Council was overstated by £78k. The amounts are below our reporting threshold but have been corrected.</p> <p>Page 47 sets out the amendments that were noted in the draft set of accounts that impacted 2023/24 comparators, but they were included in the draft statements. There has been the addition of more narrative and a PPA disclosure note to set out the changes in the final set of financial statements.</p>	Yes
Remuneration report	The first version of the remuneration report included the comparator figures for 2022/23, instead of 2023/24.	Yes
Remuneration report	The first version of the remuneration report disclosed Pamela Milliken in the wrong remuneration band and also failed to disclose Christopher Smith in the disclosure at all.	Yes
Audit fees	Audit fees were disclosed as £41,300 which did not agree to our Audit Plan which showed fees of £38,800.	Yes
Narrative statement	There were several minor changes to the narrative statement.	Yes
General	There were a handful of minor grammatical changes throughout the report which are not considered significant to disclose here separately.	Yes

09 Action plan

Action plan (1)

We set out here our recommendations for the Integration Joint Board which we have identified as a result of issues identified during our audit for the 2024/25 period. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with those standards. We have raised five recommendations in 2024/25. A sixth recommendation remains open from the 2023/24 audit. All other recommendations from previous audits have either been superseded or closed.

Wider scope recommendations:

Recommendation	Relates to	Management actions
<p>1. Senior Management Positions</p> <p>The IJB has made interim appointments for the Chief Officer, Chief Social Work Officer and Chief Finance Officer in the past few months. Given the importance of these roles, it is critical that the IJB can make permanent appointments as soon as possible, to provide much needed stability and long-term planning.</p> <p>Recommendation:</p> <p>Permanent appointments should be made for all senior management and critical service delivery positions, ideally within the next 12 months.</p>	<p>Financial management and Vision, Leadership and Governance</p>	<p>Management response: We recognise the importance of stability within senior management. A Leadership Review is currently underway, and as its recommendations are implemented, the permanency of posts will be confirmed to provide clarity and assurance for the future.</p> <p>Responsible officer: Chief Officer</p> <p>Due date: 31 December 2026</p>

Action plan (2)

Recommendation	Relates to	Management actions
2. General efficiency savings	Financial management	<p>Management response: We are currently developing savings proposals that will include both specific measures and broader efficiency initiatives. These proposals will reference how they will be managed and monitored to ensure delivery. Having demonstrated during 2025/26 that we can successfully achieve efficiency savings, we will build on that experience by considering whether a dedicated monitoring system is required and, if so, how it should operate.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Due date: 31 March 2026</p>

Action plan (3)

Recommendation	Relates to	Management actions
<p>3. Medium Term Financial and Strategic Delivery Plans</p> <p>The IJB has not updated its medium-term financial strategy (MTFS) this year and the Strategic Plan is due to be updated by the end of the year.</p> <p>The current MTFS for the period 2024-2029 shows a cumulative funding gap of £56.981 million. However, this is likely to be understated given the known financial performance in 2024/25 and the funding gap in 2025/26.</p> <p>It is important that the IJB has a clear view of its medium term funding gap and that it can plan savings to meet that gap and reduce the reliance on its partner organisations for additional funding as this is unsustainable.</p> <p>Recommendation:</p> <p>Management should produce an updated MTFS in advance of the 2026/27 budget setting process and that this is prepared in partnership with the development of the new Strategic Plan. The MTFS should include an accurate forecast of future income and expenditure, taking into consideration the demographic and other pressures highlighted by the Strategic Plan.</p> <p>There should also be a clear Strategic Delivery Plan (SDP) detailing the required savings to balance the annual and cumulative funding gap and how these will be achieved whilst maintaining service quality.</p>	Financial sustainability	<p>Management response: The Medium-Term Financial Strategy (MTFS), which will be considered by the Integration Joint Board on 10 December, addresses this requirement. The MTFS has been developed taking into consideration the inflationary pressures and the impact of demographic changes on service delivery and resource requirements. Both the MTFS and SDP reflect the gap between available funding and cost of service delivery, and closing the gap will be achieved through the development and delivery of a three year savings plan which will be monitored by the Health and Social Care Sustainability Board. This approach provides transparency and supports effective monitoring of both specific and general savings proposals.</p>

Action plan (4)

Recommendation	Relates to	Management actions
<p>4. Performance reporting</p> <p>There has been a focus on short term delivery in the last 6 months meaning that quarterly performance reports have not been taken to the Board since December 2024. It is important that the IJB delivers on its financial targets, but it needs to do this whilst maintaining service delivery and non-financial performance and regular reporting is a key part of providing the governance and monitoring that ensures this.</p> <p>Recommendation:</p> <p>Ensure that performance reporting is occurring at a frequency that enables the Board and other committees the ability to undertake timely scrutiny to aid decision making.</p>	Use of resources to improve outcomes	<p>Management response: Performance reporting frequency will be discussed at the IJB Development Session on 28 November 2025, with a view to agreeing a formal schedule at a subsequent IJB meeting. The aim is to ensure that reporting occurs at intervals that enable the Board and its committees to undertake timely scrutiny and support informed decision-making. This will include consideration of statutory reporting requirements, alignment with strategic priorities, and the need for up-to-date data to monitor progress and address emerging risks.</p> <p>Responsible officer: Chief Officer</p> <p>Due date: 31 March 2026</p>
<p>5. Assessment over the arrangements to secure Best Value</p> <p>We have noted that the IJB have no mechanism for formally reviewing and reporting on the arrangements to secure best value.</p> <p>Recommendation:</p> <p>The IJB should undertake a formal review of the Best Value assurance framework and complete an assessment of the arrangements to secure best value. The outcome of the assessment should be reported to the Audit Committee.</p>	Use of resources to improve outcomes	<p>Management response: The IJB will carry out a structured self-assessment against Best Value principles, using a recognised framework and evidence from governance, financial and performance arrangements. This will be integrated with existing audit processes, linked to the Strategic Delivery Plan and Medium-Term Financial Strategy, and summarised in a formal report to the Audit Committee with clear improvement actions and timelines</p> <p>Responsible officer: Chief Officer</p> <p>Due date: 31 March 2026</p>

Follow up of prior year recommendations (1)

We identified the following issues in the audit of the Integration Joint Board's 2023/24 wider scope work, which resulted in two recommendations being reported in our 2023/24 Annual Auditor's Report. We have provided an update on these recommendations below. One of the recommendations has now been superseded and the second is ongoing.

Wider scope recommendations:

Assessment	Recommendation	Auditor conclusion:
Superseded	<p>1. Financial sustainability – savings plans (from 2023/24 audit)</p> <p>During 2024/25, the IJB need to find an unprecedented level of savings to balance the budget. The budget presented to the Board for approval in March 2024 identified that the IJB needed to deliver £20 million of savings during the year in order to break-even. Whilst the IJB had identified savings totalling £12.5 million, the finalised budget contained £7.5 million of unidentified savings when approved by the board.</p> <p>Recommendation</p> <p>The IJB should ensure that all savings plans are agreed prior to the start of the financial year and that progress towards the achievement of saving are reported to the Board as part of budget monitoring.</p>	See recommendation 2 relating to the accuracy of savings plans and the use of 'general efficiency' savings targets.

Follow up of prior year recommendations (2)

Assessment	Recommendation	Auditor conclusion:
Ongoing	<p>2. Audit recommendations tracker (from 2023/24 audit)</p> <p>During 2023/24, the IJB have introduced an internal audit recommendation tracker. Whilst this is reported to the Risk & Assurance Group, it is not currently presented to the Audit Committee. Furthermore, the current tracker does not include external audit recommendations.</p> <p>Recommendation</p> <p>The IJB should ensure that the tracker of internal and external audit recommendations is reviewed periodically and reported to each Audit Committee meeting.</p>	<p>Auditor conclusion:</p> <p>The risk register and audit recommendations tracker should be reviewed at every meeting of the Audit Committee, and the Audit Committee should be meeting more frequently.</p> <p>Management update: The IJB will ensure that the tracker of internal and external audit recommendations is a standing item on the Risk and Assurance Group who will review and monitor progress. This process will provide assurance that all recommendations are being monitored, progress is recorded, and any overdue actions are highlighted for timely resolution. The Risk and Assurance Group will report to each meeting of the IJB Audit Committee in line with its terms of reference, supported by updates from relevant officers and including escalating any issues.</p> <p>Responsible officer: Chief Officer</p> <p>Due date: 31 March 2026</p>

Follow up of prior year recommendations (3)

We identified the following issues in the audit of the Integration Joint Board for 2022/23, which resulted in two recommendations being reported in our 2022/23 Annual Auditor's Report. These recommendations remained open at the end of our audit in 2023/24. One was in relation to financial statements, and one in relation to wider scope. We have provided an update on these recommendations below. One of the recommendations is now closed and the second has been superseded.

Financial statement recommendations:

Assessment	Recommendation	Auditor conclusion:
Closed	<p>1. Consolidation working papers (from 2022/23 financial statements audit)</p> <p>Ensure that working papers for final accounts are available at the IJB level to evidence the transactions within the financial statements.</p>	Working papers have been improved to reflect the IJB level position. An adjustment to the prior period related party disclosure has been made as a result.

Follow up of prior year recommendations (4)

Wider scope recommendations:

Assessment	Recommendation	Auditor conclusion:
Superseded	<p>1. Financial Sustainability – Future Financial Plans (from 2022/23 wider scope audit)</p> <p>A depth of pace will need to be undertaken on the transformation programme to ensure the IJB can bridge the significant funding gap in a short space of time, to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved. To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased productivity and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable. Once plans are in place, the IJB will need to continue to monitor the percentage level of adequate reserves as funding gaps continue to grow to ensure reserves do not dip to an unsustainable level.</p>	See recommendation 3 relating to the implementation of a new Medium Term Financial Strategy and Strategic Delivery Plan.

10 Independence considerations

Independence considerations

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

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. 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.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Board's Ethical Standard.

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

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

Fees and non-audit services

The following tables below sets out the total fees for audit services that we have been engaged to provide or charged from the beginning of the financial year to the current date. No non-audit services have been provided. None of the below services were provided on a contingent fee basis. We have not identified any threats to our independence.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Aberdeenshire IJB.

Service	Planned fees	Final fees
External Auditor Remuneration	£36,860	£36,860
Pooled Costs	£930	£930
Contribution to Performance Audit and Best Value	£7,080	£7,080
Sectoral cap adjustment	(£10,870)	(£10,870)
Total core fee	£34,000	£34,000
Additional audit fee	£4,800	£4,800
Total fee with fee variation	£38,800	£38,800

We sought an additional fee for external auditor remuneration due to:

- Significant additional work required in the wider scope analysis than would usually be expected. This included a more detailed section on financial sustainability appreciating the significance of savings and budget pressures in 2024/25 and beyond.

This means the external auditor's remuneration is £41,660 and the total fee is £38,800. The audit fee was approved at the Audit Committee on 03 December 2025.

The fees agree to the revised financial statements.

11 Appendices

A. Communication of audit matters with those charged with governance (1)

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance.	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks.	●	
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 Aberdeenshire IJB's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures.	●	
Significant findings from the audit.	●	
Significant matters and issue arising during the audit and written representations that have been sought.	●	
Significant difficulties encountered during the audit.	●	
Significant deficiencies in internal control identified during the audit.	●	
Significant matters arising in connection with related parties.	●	
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements.	●	
Non-compliance with laws and regulations.	●	

A. Communication of audit matters with those charged with governance (2)

Our communication plan	Audit Plan	Audit Findings
Unadjusted misstatements and material disclosure omissions.	●	
Expected modifications to the auditor's report, or emphasis of matter.		●

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Client Service Review

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner, 8 Finsbury Circus, London, EC2M 7EA. 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 our 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 2024 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024).



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