

Moray Integration Joint Board Annual Audit Report

Financial year ending 31 March 2025

Prepared for those Charged with Governance and the
Controller of Audit

3 November 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.

01 Headlines

Headlines (1)

This table summarises the key findings and other matters arising from the external audit of Moray Integration Joint Board (IJB) and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (the 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 work on the Governance Statement has been prepared in accordance with the relevant guidance.

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

Draft financial statements

The draft financial statements were presented for audit by the deadline of 30 June 2025, with the IJB authorising their financial statements on 24 June 2025.

We have been supported by Moray IJB's officers during the audit process with effective working relationships and commitment to the audit process.

We have completed our audit work and **we issued an unmodified opinion on 3 November 2025.**

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)

Financial statements

Our audit work was substantially completed during September 2025. Our findings are summarised on pages 8 to 17. We have identified no adjustments or unadjusted misstatements to the primary financial during the course of the audit. Further detail is set out within Appendix 1 including minor disclosure adjustments.

We have not identified any financial statements recommendations for management as a result of our audit work on the financial statements, and there were no recommendations for follow up from the previous audit.

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

There remains a significant risk in respect of financial sustainability given the significant financial challenges the IJB faces over the longer term. Further details of the work undertaken are outlined on pages 23 to 45.

We have raised two recommendations for management as a result of our audit work on wider scope. These are set out in Appendix B.

We have followed up the twelve recommendations raised in our previous audit. Six out of twelve recommendations have been cleared with one in progress and five still open. The clearance of the remaining recommendations will be followed up in 2025/26.

This is the fourth year in succession that Internal Audit have provided a limited assurance opinion, indicating there are weaknesses in the framework of governance, risk management and control. A number of the recommendations made by internal audit span multiple years and the IJB must ensure that audit recommendations are actioned in a timely manner.

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 £2,500 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, Performance and Risk Committee at the end of each financial year.

Headlines (3)

Status of Audit Work

Our work is complete, and our Annual Audit Report was presented to the Audit, Risk and Performance Committee on 29 October 2025. The Board approved the financial statements at their 30 October 2025 Board meeting.

We received the final set of signed financial statements on 3 November 2025 alongside the signed letter of representation, and an **unmodified audit opinion was issued on 3 November 2025**.

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

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 Moray IJB. The scope of our audit was set out in our External Audit Plan dated 27 March 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 Audit of the annual report and accounts

Audit of the annual report and accounts

Approach to the audit of financial statements



Key audit matters and significant risks

The following significant risks have been identified:

- Management override of controls (significant risk).

No key audit matters have been identified.

Internal control environment

In accordance with ISA requirements, we have developed an understanding of the IJB's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

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

We have not identified any changes in our approach since our Audit Plan was presented to the Audit, Performance and Risk Committee on 27 March 2025. The risks identified remain the same.

Our application of materiality

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

Our audit approach was set out in our audit plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2024/25 draft financial statements and concluded that materiality is £5.278 million (PY £4.056 million), which equates to approximately 2.5% (PY 2%) of 2024/25 gross expenditure.
- Performance materiality was set at £3.943 million (PY £3.042 million) representing 75% of our calculated materiality (PY 75%).
- We report to Officers (Management) any difference identified over £0.263 million representing 5% of our calculated materiality (PY £0.203 million).
- Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area of £25,000 (PY £25,000). We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus on the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

There is a change in materiality values since our final audit plan was communicated to you on 27 March 2025 as final gross expenditure for 2024/25 was used as the basis of the calculation. The percentage chosen for higher materiality, performance materiality and triviality remains unchanged.

Detecting irregularities, including fraud

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Moray IJB and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2024/25 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, concerning the IJB's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the IJB's financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the IJB's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures are documented within our response to the significant risk of management override of controls below.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- Moray IJB's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The IJB's control environment, including the policies and procedures implemented by the organisation to ensure compliance with the requirements of the financial reporting framework.

Overview of audit risks

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

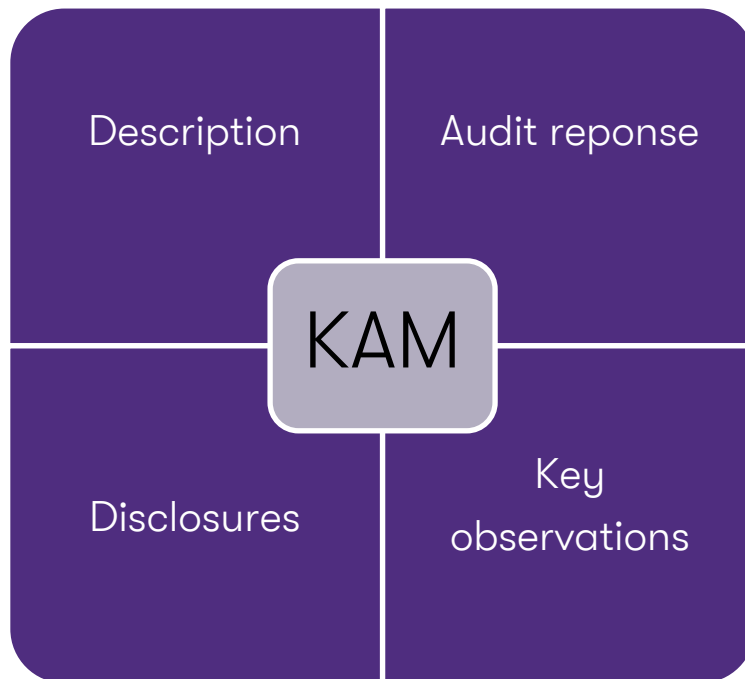
Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs. A significant risk can be a significant risk due to error or due to fraud. For the purposes of the ISAs (UK), the auditor is concerned with fraud or suspected fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

As part of our consideration of risks relating to fraudulent financial reporting, we consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage income and expenditure in order to influence the IJB's year-end performance.

Risk title	Risk level	Change in risk since audit plan	Fraud risk	Key audit matter	Level of judgment or estimation uncertainty	Testing approach	Status of work to date
Management override of controls	Significant	↔	✓	✘	Low	Substantive	● Green

- ↑ Assessed risk increased since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decreased since Audit Plan
- Not considered likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements.

Significant risks and key audit matters



Responding to significant financial statement risks

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

Key audit matters

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

These matters include those that had the greatest effect on:

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

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

Other risks

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

Significant risks and key audit matters (2)

Significant risks identified in our Audit Plan

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.

Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions.

We have therefore identified management override of controls as a significant risk of material misstatement. This relates to the elements involving consolidation, after the information is extracted from partner ledgers, to produce the financial statements for Moray IJB.

Commentary

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

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

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

Conclusion

Through our audit procedures performed, we found that there was no evidence of management override of controls. We have placed reliance upon the journals work completed on the Moray Council and NHS Grampian audits where recommendations were made on each around the journal authorisation process.

As the IJB's financial statements are prepared by merging the relevant transactions from Moray Council and NHS Grampian, we have agreed the figures to underlying joint ledger reports to confirm accuracy and completeness.

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

Significant risks and key audit matters (3)

Significant risks identified in our Audit Plan

The revenue cycle includes fraudulent transactions

As set out in ISA (UK) 240 (Revised May 2021), there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

(rebutted)

Commentary

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

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

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

Conclusion

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

Risk of fraud in expenditure

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

(rebutted)

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

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

Conclusion

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

Financial statements – key judgements and estimates

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

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

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
None	The note within the IJB accounting policies (Note 2 Critical Judgements and Estimation Uncertainty) confirms there are no judgements or estimates within the IJB accounts.	We have confirmed there are no significant estimate or judgements within the IJB annual reports and accounts.	Not Applicable

Other key elements of the financial statements

There were other key areas of focus during our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice (2021) or ISAs or due to their complexity or importance to the user of the accounts:

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

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016). No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect. Minor amendments were processed in the Statement, and these have been noted within Appendix A.
Matters on which we report by exception	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. We have nothing to report in respect of these matters.
Written representations	A letter of representation has been requested from the Integration Joint Board as required by auditing standards. We have not requested any specific representations in this letter.
Going Concern	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. 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: a material uncertainty related to going concern has not been identified management's (senior officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities under the Code (1)

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

Other findings – information technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating – security management	ITGC control area rating – technology acquisition, development and maintenance	ITGC control area rating – technology infrastructure	Related significant risks / other risks
Advance Business Solutions e5 system – Moray Council’s general ledger	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	All significant risk areas
eFinancials – NHS Grampian’s general ledger	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	All significant risk areas

Assessment

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

04 Wider scope and best value conclusions

Wider scope conclusions

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. Within our audit plan we identified one significant risk in respect of financial sustainability.

Wider scope area	Our risk considerations and focus	Significant risk identified - final stage	Wider scope conclusion
Financial Management	The arrangements in place at the IJB to ensure sound financial management, accountability and the arrangements to prevent and detect fraud, error and other irregularities	No	The IJB did not approve the 2024/25 before the start of the financial year, with the final budget not approved until 30 May 2024. Due to costs pressures and the non-delivery of all required savings during 2024/25, both partner organisations required to provide additional funding contributions to enable the IJB to achieve financial balance. An improvement recommendation on year-end reporting of savings has been made at Appendix C. There is regular reporting of the financial position throughout the financial year. The IJB approved the 2025/26 budget in March 2025, before the start of the financial year and in line with required timescales.
Financial Sustainability	The projected financial position of the IJB in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the council to effectively deliver services in the future	Yes	The 2025/26 budget is based on an unprecedented level of savings being delivered during the year. The quarter monitoring reports indicate the IJB will not deliver all required savings, which may result in partner organisations providing additional funding should savings not be achieved. Partners have provisions in their accounts for the risk of the IJB not achieving break even. The IJB has relied on the use of earmarked reserves to balance the 2025/26 budget. This is not sustainable for future years as reserves balances will diminish. The IJB are projecting an £18.2 million funding gap to 2029/30 and must ensure that transformation is the key driver for addressing identified budget gaps over the longer term.
Use of Resources to Improve Outcomes	The effectiveness of the IJB's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the council	No	The IJB have governance arrangements in place that are appropriate and operate effectively. The results of both Moray Council and NHS Grampian internal audit activity is now reported to the Audit, Performance and Risk Committee. For the fourth year in succession, Internal Audit have provided a limited assurance audit opinion, which indicates there are weaknesses in the framework of governance, risk management and control. The IJB should have definitive plans in place to avoid further limited assurance opinions and four years of limited assurance opinions requires timely, secured and sustained action.
Vision, Leadership and Governance	How the IJB demonstrates economy, efficiency and effectiveness through its use of financial and other resources	No	The IJB have approved the new Strategic Delivery Plan which identifies the programme of transformational and improvement work required to meet the IJBs strategic objectives. The IJB have appropriate performance monitoring and reporting arrangements in place however the format of the Performance Report and content within should be reviewed to ensure the correct level of detail is included in year end reporting. The IJB's performance is showing a general trend of improvement against the national indicators, however a number of local indicators are below target.

- No risks identified
- Other risks identified.
- Significant risk identified.

Wider scope audit – financial management

Wider scope area	Wider scope audit response and findings	Conclusion
Financial management No risk identified	<u>Financial Management Arrangements</u> The IJB’s financial performance is reported to the Board as an integral part of the budget monitoring process. Budget monitoring reports are submitted to the IJB Board throughout the year and senior management and members receive regular and accurate financial information on the IJB’s financial position. All in-year financial information is reported on a timely basis and there are several supporting appendices to the monitoring reports. The outturn to date and projected year-end outturn position, alongside revisions to the budget are clearly stated in these reports. Where assumptions are determined unrealistic or changes significantly from budget, this is captured, and actions will be identified to resolve any adverse variances. Members are provided with the opportunity to review, challenge and scrutinise the financial performance. The finance team have access to real time information through the finance ledger systems within Moray Council and NHS Grampian to provide accurate financial monitoring reports. The IJB commission services from Moray Council and NHS Grampian. The management of services within each of these organisations continue to be governed by the existing Standing Financial Instructions, Schedule of Reserved Decisions, Operational Scheme of Delegation within the partner organisations. The Financial Regulations were subject to review during 2025 and approved by the IJB Board on 29 May 2025. <u>Finance Team</u> Individuals involved in the preparation and reporting of financial information are qualified and experienced and held finance positions at the organisation for a number of years. Given the nature of the IJB and how it operates, the finance team is relatively small, and if staff shortages or sickness arise, the organisation could face capacity issues.	Our review of financial monitoring reports during the year did not identify any significant issues. We have not identified any issues regarding the skills and capability of finance staff within the organisation. Given the size of the organisation, should staff shortages arise, the finance team may face capacity issues. We are satisfied that the IJB have appropriate financial monitoring arrangements in place.

Wider scope audit – financial management (1)

Wider scope area	Wider scope audit response and findings	Conclusion															
Financial management (continued)	Financial Performance The IJB has a responsibility under the Public Bodies (Joint Working) (Scotland) Act 2014 to set a budget before 31 March each year. For 2024/25, the IJB presented a “working budget” to the 28 March 2024 Board Meeting. The initial budget was in deficit of £3.764 million. Following this, the IJB presented its final budget for 2024/25 to the 30 May 2024 Board Meeting. The final Revenue Budget for 2024/25 totalled £200.641 million which included £14.665 million set aside services. The funding provided totalled £190.998 million and built into the 2024/25 funding assumptions was expected savings of £8.297 million. The IJB predicted an overall budget deficit of £1.346 million, with the intention to fund the deficit from earmarked reserves. Throughout 2024/25, there were several adjustments to the final 2024/25 Revenue Budget. All budget revisions were reported to the IJB with detailed reasoning of the changes made. The final revised budget position for 2023/24 was £211.765 million. The table below shows the IJB’s outturn position for the year. The IJB had total expenditure of £210.315 million against a final budget of £211.765 million, resulting in an underspend against budget of £1.450 million. This position was following both partner bodies providing an additional funding contribution to the IJB. Moray Council provided £2.061 million whilst NHS Grampian provided £2.196 million. <table> <tr> <th>2024/25 Financial Outturn</th><th>Revised Budget (£m)</th><th>Actual (£m)</th></tr> <tr> <td>Core Services</td><td>181.235</td><td>£188.656</td></tr> <tr> <td>Strategic Funds & Other Resources</td><td>14.891</td><td>6.020</td></tr> <tr> <td>Set Aside</td><td>15.639</td><td>15.639</td></tr> <tr> <td>Total</td><td>211.765</td><td>210.315</td></tr> </table> Note: Strategic Funds relate to additional Scottish Government funding for Integrated Joint Boards. For Moray IJB, this generally relates to additional funding received via NHS Grampian and Moray Council.	2024/25 Financial Outturn	Revised Budget (£m)	Actual (£m)	Core Services	181.235	£188.656	Strategic Funds & Other Resources	14.891	6.020	Set Aside	15.639	15.639	Total	211.765	210.315	The IJB required additional funding contributions from both partners in order to achieve the year-end outturn position.
2024/25 Financial Outturn	Revised Budget (£m)	Actual (£m)															
Core Services	181.235	£188.656															
Strategic Funds & Other Resources	14.891	6.020															
Set Aside	15.639	15.639															
Total	211.765	210.315															

Wider scope audit – financial management (2)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial management (continued)	<u>Financial Performance (continued)</u> The main overspends within core services were as follows: • Learning Disabilities - The service was overspent by £2.27 million due to the additional purchase of care for people with complex needs. • Older People Services and Physical & Sensory Disability – The overspend of £2.26 million primarily related to overspends for home care and permanent care due to the increase in clients receiving nursing care rather than residential care. • Primary Care Prescribing - The primary care prescribing budget reported an overspend of £3.19 million, mainly due to by the impact of short supply causing an increase in costs. <u>Financial Performance - Savings</u> To balance the 2024/25 budget, the IJB intended to make savings of £8.297 million in 2024/25, with progress on the savings plan reported as part of the budget monitoring reports presented to the IJB Board. Each saving is broken down by project and continues to be reported on a RAG basis. There is no indication in either the budget or budget monitoring report whether savings are expected to be recurring in nature. Adding this context into both documents would provide a clear indication as to whether savings are expected to be one off savings or whether the benefit will continue in future years. See recommendation 1. Throughout the year, the IJB made it clear they would not achieve all planned savings and where savings were not fully achieved, it was expected that partner authorities would need to provide additional funding to meet any in year deficits.	The budget and monitoring report should make it clear that savings are either recurring or non-recurring in nature.

Wider scope audit – financial management (3)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial management (continued)	Financial Performance – Savings (continued)	The IJB did not deliver all planned savings in 2024/25 and required additional funding from partners to meet the in-year funding deficit. Reporting of savings could be improved by providing a detailed breakdown of savings delivered during the year as part of the year-end outturn report.
	The year-end outturn report, presented to the IJB Board on 19 June 2025, provides an overview on the savings delivered during 2024/25:	
		Actual (£m)
Savings delivered		2.302
Savings delivered through reduction in overspends		2.331
Savings not delivered		3.664
Of the £4.633 million of savings delivered in year, the IJB expect £3.398 million to be recurring in nature, with the remaining £1.235 million being non-recurring savings. As outlined previously, this additional context should be added to both the in-year monitoring report and year-end outturn report.		
We noted that whilst the year-end outturn report provides the final high-level savings position, it does not include the appendix presented as part of the in-year monitoring reports detailing the final delivery position. It would be good practice to provide this same level of detail as part of the year-end outturn report which allows a comparison across the full financial year. See recommendation 1.		
During 2024/25, the IJB have implemented a Budget Saving Oversight Group. The Chief Officer chairs the group, and membership is the senior management team plus project management officers to support to the process. Monthly meetings are held to review progress on the savings programmes, with the focus on the high risk/high value savings.		

Wider scope audit – financial sustainability

The risk below was included in the Annual Audit Plan. The narrative is the wording from the Audit Plan and identifies the work we would undertake in response to the risk identified. Pages 29 to 33 details the work undertaken in response to the assessed risk and we have outlined our overall conclusion below.

Potential significant risk identified in audit plan (narrative from Audit Plan)	Response to potential significant risk (planned work in Audit Plan)	Conclusion on potential significant risk
The draft Revenue Budget for 2024/25 was £200.641 million, which included £14.665 million set aside services, representing Moray's share of the Large Hospital Services. The total funding provided from the partner authorities and Scottish Government was £191.088 million, resulting in a budget gap of £9.553 million. To manage the funding deficit, the IJB identified efficiency savings totalling £8.297 million, resulting in a projected budget deficit of £1.346 million. The Quarter 2 revenue monitoring report presented to the Board in November 2024 identified that the IJB are projecting a total overspend of £5.580 million for 2024/25. If this deficit cannot be reduced by year end, partner authorities will require to provide additional funding contributions to manage the overspend. The IJB has a Medium-Term Financial Framework 2023/24 - 2027/28 which has not been subject to update since the 2023/24 budget was agreed and is now considered to be out of date. The funding deficit identified in the MTFF shows a budget gap of approximately £26 million from 2025/26 - 2027/28. The IJB is preparing an updated Medium Term Financial Framework which will presented to the Board in March 2025, alongside the 2025/26 budget.	Our audit work included: - understanding the future financial forecasts and plans for the IJB for 2025/26 and beyond, including key assumptions used, scenario planning, sensitivity analysis, risk analysis and the extent of any budget pressures any impact upon reserves - considered the actions the IJB is taking to address identified funding gaps and associated savings plans. - followed up the prior year recommendations in respect of the financial sustainability risk highlighted last year.	The 2025/26 Revenue Budget is predicated on delivering savings of £9.467 million. The IJB have also budgeted to use earmarked reserves to fund a projected budgeted deficit of £1.000 million in 2025/26. The IJB are forecasting a budget deficit of £4.685 million for financial year 2025/26. It is unlikely that the IJB will deliver all required savings in 2024/25 and if possible, they should look for alternative options to help achieve a balanced budget. The updated Medium Term Financial Framework (MTFF) confirms that financial pressures for 2025/26 and beyond are significant, with the total funding gap for the period currently projected to be £18.2 million. The IJB will need to identify and deliver significant savings and transformation to reduce funding gaps and continue to deliver key services and IJB priorities. The continued reliance on reserves is not sustainable and although it helps achieve a balanced budget in 2025/26, the IJB will not have sufficient available earmarked reserves to draw upon in order to meet the 2026/27 funding deficit.

Wider scope audit – financial sustainability (1)

Wider scope area

Wider scope audit response and findings

Conclusion

Financial sustainability

Significant risk: There is a risk that transformation and savings plans to address financial pressures for medium to longer term are not sufficient to address future funding gaps and increasing deficits.

Short Term Financial Planning – Budget Setting 2025/26

Moray IJB's main source of funding comes from the contributions received from the two partner authorities. The IJB undertakes an annual budget process which forms part of the wider medium term strategy process. This includes discussions taking place between management, Moray Council and NHS Grampian regarding funding requirements.

As outlined, IJB did not present a balanced budget for 2024/25 before the end of March. As a result, we recommended in our previous audit that the IJB should ensure it presents its final budget, with all agreed savings, before the start of the financial year. The 2025/26 budget and savings plan was approved by the IJB Board on 27 March 2025, in line with required timescales.

The final revenue Budget for 2025/26 is £213.843 million which included £15.638 million for set aside services. The funding provided totalled £212.843 million and built into the 2025/26 funding assumptions is projected savings of £9.469 million. The IJB expect £8.279 million of these savings to be recurring in nature. Overall, the IJB predicted an overall budget deficit of £1.000 million, with the intention to fund the deficit from earmarked reserves.

The IJB agreed the 25/26 budget in line with required timescales.

The IJB are intending to utilise £1.000 million of earmarked reserves balances to manage the budget deficit in 2025/26.

2025/26 Budget	2025/26 (£m)
Total Budget	213.843
Total Funding	(203.376)
Savings Identified	(9.467)
Budget Deficit	(1.000)

Wider scope audit – financial sustainability (2)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)	<u>Short Term Financial Planning – Budget Setting 2025/26 (continued)</u> The level of savings the IJB require to produce in year is unprecedented. As outlined, the IJB did not deliver all planned savings for 2024/25 and were the full £9.467 million of savings not fully achieved during 2025/26, it is expected that partner authorities will need to provide additional funding to meet any in year deficits. The IJB will need to closely monitor savings delivery during 2025/26 via the Budget Savings Oversight Group. The savings plan for 2025/26 is made up of several wide-ranging savings proposals including reduction in locum use, reviewing care packages provided to patients, efficiencies in prescribing and reductions in overtime. <u>2025/26 Revenue Budget Monitoring</u> The IJB presented Quarter 1 revenue monitoring report to the September 2025 Board Meeting. The report provides an update on the IJB's performance against the 2025/26 budget and shows detailed forecast projections for the remainder of 2025/26. The budget position at the end of June 2025 is an overspend to date on the Core Services budget of £1.425 million, and an overspend on the Strategic Funds budget of £0.592 million. Looking ahead, the IJB are forecasting a budget deficit of £4.685 million (2.2% of the IJB budget) for financial year 2025/26. The progress towards the IJB's savings plans is included as part of the monitoring report and is reported on a RAG basis. At the end of June 2025, the IJB were predicting: - Expect to achieve £6.871 million of savings (rated green) - £2.598 million of savings are at risk of not being achieved (rated amber or red). The monitoring reports indicate that it is likely the IJB will overspend in 2025/26 and as such, the IJB must ensure there is close liaison with partner bodies so that they understand the financial implications the projected overspend will have on their own budgets. The IJB share the financial position with the partners on a regular basis, as part of partners meetings held every six weeks.	The IJB will require to deliver a significant level of savings in order to manage the funding gap in 2025/26. It is unlikely that the IJB will deliver all required savings in 2025/26 and if possible, they should look for alternative options to help achieve a balanced budget The IJB must ensure there is close liaison with partner bodies so that they understand the financial implications the projected overspend will have on their own budgets.

Wider scope audit – financial sustainability (3)

Wider scope area	Wider scope audit response and findings					Conclusion	
Financial sustainability (continued)	Medium Term Financial Strategy					To achieve financial sustainability and reduce reliance on useable reserves to bridge funding gaps, the IJB will need to identify and deliver significant savings and transformation to reduce funding gaps and continue to deliver key services and IJB priorities. There is a risk that where savings and transformation plans are not delivered, in the short to medium term this could provide financial sustainability challenges for the IJB.	
	The updated Medium Term Financial Framework (MTFF) 2025/26 - 2029/30 was approved at the IJB Board meeting on 27 March 2025. The financial pressures for 2025/26 and beyond are significant, with the total funding gap for the period currently projected to be £18.2 million.						
		2025/26	2026/27	2027/28	2028/29		2029/30
		£m	£m	£m	£m		£m
	Estimated Budget Requirement	204.375	212.158	215.950	220.268		224.715
	Total Funding	(203.375)	(207.390)	(211.525)	(215.784)	(220.170)	
	Use of earmarked reserves	(1.000)					
	Budget Surplus/ (Deficit)	-	(4.768)	(4.425)	(4.484)	(4.545)	
The summary position (in the table above) highlights that the IJB will need to closely monitor the financial constraints within which it is operating. Future funding assumes a level of savings will be achieved each year, together with transformational redesign that the IJB know they need to make in order to provide affordable sustainable services within the resources available.							
The MTFF assumes that the existing financial pressures will be addressed through savings alongside the need to transform the way services are provided across the system. Risks such as potential reduction in future funding, pay negotiations, rising inflation, cost of living crises and supply chain pressures are embedded within the MTFF however, given the economic uncertainty of these factors, this could result in a growth of the cumulative funding gap.							

Wider scope audit – financial sustainability (4)

Wider scope area	Wider scope audit response and findings	Conclusion																				
Financial sustainability (continued)	Reserves Reserves are a key performance indicator of monitoring the financial health of a body. At 31 March 2025, the IJB held £1.450 million of reserves which were fully earmarked. During 2024/25, the IJB utilised £0.536 million of reserves. The IJB has budgeted to utilise £1.000 million of general earmarked reserves in 2025/26 to achieve a balanced budget. This will reduce general earmarked reserves to £0.450 million by 31 March 2025. The use of reserves to balance the budget should not be relied upon, as this is finite and not a way to create financial sustainability for the IJB. As mentioned above, the IJB will need to prioritise and focus on transformation to ensure that reserves are used for their intended purpose to and not to meet budget gaps. At the 31 March 2025, the IJB general reserves balance is nil, which means any future overspends will need to be fully met by the partner authorities. The table below outlines the movement in reserves during 2024/25: <table><tr><th></th><th>General Reserves £m</th><th>PCIP & Action 15 £m</th><th>Other Earmarked £m</th><th>Total £m</th></tr><tr><td>As at 31 March 2024</td><td>-</td><td>33</td><td>1.953</td><td>1.986</td></tr><tr><td>Transferred Out</td><td>-</td><td>(33)</td><td>(0.503)</td><td>(0.536)</td></tr><tr><td>Balance at 31 March 2025</td><td>-</td><td>-</td><td>1.450</td><td>1.450</td></tr></table>		General Reserves £m	PCIP & Action 15 £m	Other Earmarked £m	Total £m	As at 31 March 2024	-	33	1.953	1.986	Transferred Out	-	(33)	(0.503)	(0.536)	Balance at 31 March 2025	-	-	1.450	1.450	The continued reliance on reserves is not sustainable and although it helps achieve a balanced budget in 2025/26, the IJB will not have sufficient available earmarked reserves to draw upon in order to meet the 2026/27 funding deficit. There is no general reserve balance, and the level of reserves is at an unsustainable level.
	General Reserves £m	PCIP & Action 15 £m	Other Earmarked £m	Total £m																		
As at 31 March 2024	-	33	1.953	1.986																		
Transferred Out	-	(33)	(0.503)	(0.536)																		
Balance at 31 March 2025	-	-	1.450	1.450																		

Wider scope audit – financial sustainability (5)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)	<u>Transformation Plans</u> The cumulative funding gap position in the next four years is significant and outlines serious concerns over the future financial sustainability of the IJB where additional funding is not provided or where the IJB does not operate within its funding allocation. This creates a risk, as Moray IJB will have to balance ensuring that it maintains financial sustainability with ensuring that it continues its service delivery to meet its priorities. To reduce the current funding gap, a major transformation programme will need to be undertaken. The IJB has recognised the fact that it will require transformational redesign to reduce future funding gaps and reshape the organisation to ensure efficient service delivery. Substantial transformation is required to bring about financial sustainability. The size and scale of transformation required to deliver the savings and efficiencies required to close the projected funding gap is unprecedented. It is important that IJB members have oversight of the transformation programme to ensure the savings and efficiencies required to reduce future funding gaps can be delivered. <u>Audit Scotland – Review of Integration Joint Boards</u> In March 2025, Audit Scotland published Integration Joint Boards: Finance Bulletin 2023/24 which provided an independent analysis over the finances of Integration Joint Boards for financial year 2023/24. Key findings from the report included: • The majority of IJBs reported a deficit on the cost of providing services requiring unplanned use of reserves and additional contributions from partner bodies. • Total reserves held by IJBs have reduced by 40 per cent in 2023/24. Contingency reserves have almost halved, limiting IJBs ability to address future deficits. • The majority of the total planned savings were achieved, but a substantial proportion were achieved on a one-off basis Several items raised in the Audit Scotland report are consistent with the issues that Moray IJB are facing and there is an understanding that shape of service delivery will have to change in order to deliver services in a more sustainable manner.	To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased income and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable. Moray IJB are facing several of the issues raised in the Audit Scotland report and are reviewing how they can provide services in a more sustainable manner.

Wider scope audit – vision, leadership and governance

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance No risk identified	<u>Leadership and Committee Effectiveness</u> Moray IJB hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. There are currently three different committees, namely the Board, the Audit, Performance and Risk Committee and the Clinical and Care Governance Committee. The Audit, Performance and Risk Committee undertakes the role of Those Charged with Governance (TCWG) and looks to consider reports and obtain assurance through internal and external audit reports concerning the IJB's functions. The Committee also obtains assurance over performance monitoring and receive reports on the performance of and trends within the IJB's services in terms of service standards and performance information. Monitoring of action plan progress and service performance in key areas is reported to ensure a process of continuous improvement. This allows the IJB the opportunity to evaluate on strengths and weaknesses and draw any themes arising from results of self evaluations. It also enables the implementation of any necessary action plans to support continuous improvement in priority areas and ensure it is demonstrating compliance against the CIPFA Code of Principles for Delivering Good Governance (revised 2016). In our previous audit, we recommended that the IJB and Moray Council need to secure permanent positions for the Chief Officer and Chief Social Worker at the Council, to provide certainty over the future direction of the IJB. The IJB appointed a Chief Officer on an interim basis in July 2024, with the appointment being made permanent in November 2024. The Chief Social Worker at the Council left in May 2024, with a replacement Chief Social Worker appointed on an interim basis in the same month. To date, no permanent appointment has been made, and the post continues to be filled on an interim basis. A recruitment process is underway to find a permanent replacement. The previous audit recommendation remains valid until a permanent appointment has been made.	Our review of attendance of members at Committee meetings has not flagged any issues. We are satisfied that the governance arrangements are appropriate and operate effectively. We conclude that the Audit, Performance and Risk Committee effectively challenge and scrutinize reports presented and ensure effective decision making. The Council are actively recruiting a permanent Chief Social Worker.

Wider scope audit – vision, leadership and governance (1)

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)	<u>Governance Statement</u>	The Strategic Risk Register has been updated during 2024/25 and we are satisfied that the key risks have been identified and that the pace of improvement is appropriate to the risks and challenges facing Moray IJB.
	The Governance Statement details the composition and governance structure of Moray IJB and how that supports the achievement of the organisation’s priority themes. From review of the Statement, we are satisfied that it reflects the key findings from audit, scrutiny and inspection, including details of the limited assurance Internal Audit opinion issued for 2024/25 (see Internal Audit section for further detail).	
	<u>Risk Management</u>	
	The IJB maintains a strategic risk register which sets out the inherent risks being faced by the IJB, together with a current assessment on the level of the risks and mitigating actions being taken to reduce the impact of the risks.	
	As part of the risk monitoring framework, the Strategic Risk Register was subject to review during 2024/25 and was co-developed with Board members during a development session in October 2024. The updated Strategic Risk register was formally approved by the Board in May 2025. The risk register is reviewed monthly by the Senior Management Team, updated and presented biannually to the Audit, Performance and Risk Committee, and annually to the Moray IJB Board for oversight. Any emerging or increasing risks are presented as required outside of the agreed reporting cycle.	The IJB has in place a wide range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. Our review of these policies have found the policies to be relevant and promoted within the organisation.
	Changes made to the risk register since it was last presented to the Committee are easily identifiable and are highlighted to members. Risk scores are weighted, based on assessment according to their likelihood and corresponding impact as set out in the Risk Appetite Statement. The most recent risk register presented to the Board included one “very high” risk identified by the IJB as follows:	
	• The MIJB must operate within the resources allocated to it by the partner bodies and it is good financial practice to set a balanced budget at the start of each financial year. There is a risk that Financial pressures being experienced by the funding partners will directly impact the MIJB’s strategic planning of services and its decision-making.	
	This risk and the mitigating actions the IJB are implementing in response are in in line with our findings reported in the financial sustainability section of this report.	

Wider scope audit – vision, leadership and governance (2)

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)	<u>Internal Controls</u> The IJB has in place a range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. The date of approval and adoption by the Board for the Standing Orders was May 2022. The Financial Regulations were updated in May 2025 and approved by the Board. The IJB does not have its own separate code of conduct, whistleblowing or fraud policies and follows those set out by the partner organisations. <u>Internal Audit</u> Internal audit activity is undertaken by the Audit and Risk Manager of Moray Council, who was appointed as the Chief Internal Auditor of Moray IJB in 2022, for a period of two years to 31 March 2024. This was extended by a further two years following approval at the May 2024 Board meeting. Internal audit undertook the following reviews during the financial year: • An audit of the administrative arrangements for fostering and kinship care payments. • A review of the IJB’s governance arrangements to prevent fraud and corruption. • An audit of the systems and procedures supporting the delivery of services to individuals receiving adult care services who are classified as out of area (OOA). • A review of residential care to examine the processes for making accurate payments at agreed contract rates to third-party providers for the delivery of permanent residential care. • Follow-up audits of Self-Directed Support and Moray Integrated Community Stores As a result of the reviews, Internal Audit identified several audit recommendations. This resulted in an overall assurance opinion for the 2024/25 financial year of limited assurance.	The IJB has in place a wide range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. Our review of these policies have found the policies to be relevant and promoted within the organisation. The IJB have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls.

Wider scope audit – vision, leadership and governance (3)

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)	<u>Internal Audit (continued)</u> The internal audit opinion notes that “the Service has made progress by introducing improved governance arrangements, notably through regular reporting on the implementation of audit recommendations at Senior Management and Practice Governance Board meetings. However, significant findings have emerged from the audits undertaken, and follow-up reviews have identified recommendations that remain outstanding and require revised implementation dates. Furthermore, advancing the development of a single case recording system within the Service continues to be a matter of significant importance. After careful consideration, it is my opinion that I can only provide limited assurance that the Moray Integration Joint Board has adequate systems of governance and internal control.” This is the fourth year in succession that Internal Audit have provided a limited assurance opinion. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control. We have previously reported that the IJB should ensure audit recommendation dates are realistic and monitored for implementation and it is clear that the IJB must aim to implement internal audit recommendations at a faster pace to move away from limited assurance opinions. Our recommendation remains valid As outlined, as part of their review of process at the IJB, internal audit make recommendations for management in order to improve controls. The IJB have introduced an internal audit recommendations tracker, however this is not presented to each Audit, Performance and Risk Committee meeting. In our previous audit, we recommended that the tracker of internal audit recommendations is reviewed periodically and reported to each Audit, Performance and Risk Committee meeting. During 2024/25, the IJB have agreed that internal audit recommendations will be reviewed at Operational Management Team (OMT) meetings, with monthly escalations to Senior Management Team (SMT) meetings on an exception basis. If SMT deem any issues require escalation, a report would then be compiled for reporting to the Audit, Performance and Risk Committee.	This is the fourth year in succession that Internal Audit have provided a limited assurance opinion. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control. The IJB should have definitive plans in place to avoid further limited assurance opinions. The recommendations made by internal audit span multiple years and the IJB must ensure that audit recommendations are actioned in a timely manner. Our prior year recommendation raised remains valid.

Wider scope audit – vision, leadership and governance (4)

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)	<u>Internal Audit (continued)</u> We had also reported previously that the IJB should create a mechanism to monitor progress against external audit recommendations. The IJB presented a report to the IJB on 27 March 2025 detailing progress made with external audit recommendations, and progress updates will continue to be reported on a regular basis.	The results of both Moray Council and NHS Grampian internal audit activity is now reported to the Audit, Performance and Risk Committee.
	The Audit, Performance and Risk Committee received quarterly audit and inspection reports from internal audit which outlined the work undertaken in each quarter alongside any follow up audits and the results of the audits. This provides Audit, Performance and Risk Committee members the opportunity to gain assurance that internal controls are operating as expected.	Improvements were noted by the Care Inspectorate in relation to the delivery of adult support and protection.
	We had previously reported that the IJB should look to strengthen the reporting of NHS Grampian’s internal audit results. In prior years, the reporting had been heavily weighted towards activity at Moray Council, with limited updates on the results of internal audit activity at the health board. An agreement has now been reached with the management of NHS Grampian and their Internal Audit Provider to allow the Chief Internal Auditor to confidentially report NHS Grampian’s internal audit reviews of systems and practices of interest to the IJB to the Audit, Performance, and Risk Committee. This improves the level of oversight members have and provides a complete picture of both organisations.	
	<u>Joint inspection of adult support and protection: review of progress in the Moray partnership</u> The Care Inspectorate published a report in October 2024 detailing the results of a progress review carried out by the Care Inspectorate, Healthcare Improvement Scotland and His Majesty’s Inspectorate of Constabulary in Scotland, following a previous joint inspection of adult support and protection conducted in 2022.	

Wider scope audit – vision, leadership and governance (5)

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)	<u>Joint inspection of adult support and protection: review of progress in the Moray partnership (continued)</u> The progress review concluded that the Moray partnership’s efforts to implement seven priority areas for improvement were timely, rigorous and effective. Inspectors found that key processes for adult support and protection that required improvement were now demonstrably sound and effective. This improved the safety, health, and wellbeing outcomes for adults at risk of harm. Some improvement areas were identified by the Care Inspectorate, notably the provision of risk assessments for all adults at risk of harm who require them, and the quality of recording adult support and protection matters in health records. In November 2024, the IJB approved the Adult Support and Protection (ASP) Improvement Action Plan following the inspection. A progress report outlining the progress made towards each of the planned actions is presented at each sitting of the Adult Protection Committee. The IJB have agreed that any reporting to the Board will be by exception. <u>Joint Strategic Needs Assessment</u> All integration authorities are required to oversee the production of Joint Strategic Needs Assessments (JSNA) to analyse the needs of local populations and to inform and guide the commissioning of health, wellbeing and social care services within their area. The revised JSNA for adults was approved by the Moray IJB on 26 September 2024.	The findings from the JSNA were considered when preparing the new Strategic Delivery Plan.

Wider scope audit – use of resources

Wider scope area	Wider scope audit response and findings	Conclusion
Use of resources to improve outcomes No risk identified	<u>Strategic Planning</u> The IJB have a Strategic Plan covering 2022-2032. The Strategic Plan identifies the IJB’s strategic themes: • Building Resilience - Taking greater responsibility for health and wellbeing • Home First - Being supported at home or in a homely setting as far as possible • Partners in Care - Making choices and taking control over decisions affecting care and support Underpinning these themes are several objectives which detail how the IJB will achieve each objective. To support the delivery of the Strategic Plan, the IJB approved the Strategic Delivery Plan 2025 – 2028 at the IJB Board meeting on 27 March 2025. The Strategic Delivery Plan sets out the programme of transformational and improvement work underway to enable the IJB to meet its strategic priorities. The Strategic Plan itself is also supported by the IJB’s Workforce Plan, Medium Term Financial Strategy and Commissioning and Procurement Plan. The Strategic Delivery Plan reflects the key actions being driven by the IJB over the next three years. It is a live document, meaning the IJB can be responsive to new or emerging priorities. The Strategic Delivery Plan provides high level information about each action, and links to strategic objectives and strategic themes. This includes a key summary and the priority tasks that will be undertaken. A lead action owner is identified alongside a timescale for completion. Progress of the Strategic Delivery Plan is monitored by the Senior Management Team (SMT) and the Strategic Planning and Commissioning Group (SPCG), with a summary report to the Board every six months. A high-level summary of performance against the outcomes of the Strategic Delivery Plan is also reported to the Audit, Performance and Risk (APR) Committee on a quarterly basis.	The IJB have approved the new Strategic Delivery Plan which identifies the set of actions the IJB will complete in order to deliver its strategic objectives. There are clear links between the Strategic Plan and Strategic Delivery Plan with a clear set of actions laid out in the Strategic Delivery Plan

Wider scope audit – use of resources (1)

Wider scope area	Wider scope audit response and findings	Conclusion
Use of resources to improve outcomes (continued)	<u>Performance Reporting</u> A performance report is published annually which outlines the IJB’s annual performance against the strategic priorities of the Health and Social Care Partnership and evidencing some of the key achievements and challenges faced by the IJB. Furthermore, the report provides details on the IJB’s performance in relation to the Scottish Government’s core suite of national integration indicators which allows comparisons to be made over time and against Scotland as a whole. We have previously reported that management should review the format of the Performance Report and content to ensure it is succinct, focuses on the IJB’s performance and outcomes, and supports the user of the financial statements to understand the IJB’s purpose and achievements in year. This has not been actioned during 2024/25 and remains an open action for implementation. The IJB have confirmed that the Performance Management Framework will be reviewed in 2025/26 following the approval of the Strategic Delivery Plan. Our review of the 24/25 performance report highlights that out of the 19 national indicators reported: • nine were showing as green (IJB performance has improved from last year), • four indicators were showing as amber (performance is similar to last year) • five were showing as red (performance is worse than previous year). There was one indicator that data is not available for reporting. The red indicators in the performance report, where the IJB’s performance worsened during 2024/25 are detailed on the following page. The performance report notes that national indicators 1-9 only report performance information every two years and therefore the comparisons being made relate to 2023/24 performance, not 2024/25 performance for these nine indicators.	We have obtained assurance that appropriate performance monitoring and reporting arrangements are in place at the IJB, and where indicators are worsening, the IJB then agree upon actions that need to be taken to improve performance. The IJB’s performance is showing a general trend of improvement against the national indicators.

Wider scope audit – use of resources (2)

Wider scope area	Wider scope audit response and findings				Conclusion
Use of resources to improve outcomes (continued)	Performance Reporting (continued)				The IJB will need to ensure that it is able to continue to deliver safe and effective adult services considering the challenging financial background faced alongside a growing aging demographic. This will require wider transformation of the IJB which is outlined within the Financial Sustainability section of this report.
	National Indicator (Moray IJB reporting as red)	2023/24	2024/25	Scotland Avg. (24/25)	
	2. Percentage of adults supported at home who agree that they are supported to live as independently as possible	72%	72%	72%	
	3. Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided	59%	59%	60%	
	8. Percentage of carers who feel supported to continue in their caring	28%	28%	31%	
	9. Percentage of adults supported at home who agree they felt safe	70%	70%	73%	
	17. Inspectorate inspections	81.1%	73.8%	81.9%	
Source: 2024/25 Annual Performance Report					
Note: National Indicators 1-9 are based on the HACE survey which is undertaken every two years. 2024/25 figures remain the same as reported in 2023/24 Annual Performance Report.					
Moray faces the challenge of an increasing older population with a decline in working age population, staff recruitment challenges and lack of available accommodation against a backdrop of significant financial challenge. Adult social care is widely publicised as being under pressure in all local government authorities, so this issue is not specific to Moray IJB.					

Wider scope audit – use of resources (3)

Wider scope area

Wider scope audit response and findings

Conclusion

Use of resources to improve outcomes (continued)

Performance Reporting (continued)

The IJB have an agreed set of local performance indicators, with updates reported each quarter to the Audit, Performance and Risk Committee. Performance is reported in a RAG status, with five of the eleven indicators within agreed tolerance levels

The IJB's performance against its local indicators is mixed, with six indicators below agreed target levels.

The table below shows the performance of each indicator as at March 2025:

	Target	2024/25	RAG
A&E attendance rate per 1000 population all ages	21.9	22.0	
Number of Delayed Discharges (including code 9) at census point	26	40	
Number of bed days occupied by delayed discharges (incl. code 9) at census point	850	1149	
Rate of emergency occupied bed days for over 65s per 1000 population	2681	2412	
Emergency admission rate per 1000 population for over 65's	187	177.8	
Number of people over 65 years admitted as an emergency in the previous 12 months per 1000 population	131	125.7	
% Emergency readmissions to hospital within 7 days of discharge	3.7%	3.9%	
% Emergency readmissions to hospital within 28 days of discharge	7.9%	7.4%	
% of patients commencing Psychological Therapy Treatment within 18 weeks of referral	90%	65%	
NHS Sickness Absence (% of hours lost)	4%	4.9%	
Council Sickness Absence (% of calendar days lost)	4%	8.2%	

Wider scope audit – use of resources (4)

Wider scope area	Wider scope audit response and findings	Conclusion
Use of resources to improve outcomes (continued)	<u>Performance Reporting (continued)</u> The performance monitoring reports taken to the Audit, Performance Risk Committee clearly indicate the planned actions to address each indicator assessed as below target. The reports identify mitigations the IJB have agreed to achieve improvement in each indicator, and these are monitored via the reporting to the Committee. <u>Performance Framework Development</u> Following the approval of the Strategic Delivery Plan, a review of the performance management framework is underway. The IJB have appointed a Senior Performance Officer as part of the review process. The IJB intend to develop a refreshed set of performance indicators as part of the review. Reporting arrangements are also being developed to ensure there is more clarity between activity and outcomes and to support the delivery of the strategic priorities set out in the Strategic Delivery Plan plan	The IJB are carrying out a review of the Performance Framework with updates planned to be in place by the end of 2025.

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.

Conclusion

Integration Joint Board's 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. The IJB have arrangements in place to secure Best Value, as demonstrated in the Annual Governance Statement. We consider these arrangements as part of our regular wider scope work and have provided our conclusions.

We have noted that the IJB have no mechanism for formally reviewing and reporting on the arrangements to secure best value. We recommend that 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, Performance and Risk Committee at the end of each financial year, with reference made to this assessment in the Annual Governance Statement. **See recommendation raised at Appendix B.**

Appendices

A. Audit adjustments

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

Impact of adjusted misstatements

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

Impact of unadjusted misstatements

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

Impact of unadjusted misstatements in the prior year

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

A. Audit adjustments (2)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the Council's reported financial position.

Disclosure	Auditor recommendations	Adjusted?
General	There were minor changes noted to grammar and to correct spelling and other consistency issues. The health board has corrected these in the final version of the financial statements. Such changes are expected and do not warrant detailed explanation.	Yes
Other Information	We identified changes were required to the Moray Integration Joint Board members disclosure to accurately reflect membership during 2024/25.	Yes
Management Commentary	We identified that detail should be added into the Management Commentary to explain the underspend in Strategic Funds and Other Resources budget.	Yes
Governance Statement	We identified that additional disclosure should be added to confirm the processes in place to monitor the implementation of audit recommendations.	Yes
Remuneration Report	We identified that all references to Interim Chief Officer should be removed as the position was made permanent in November 2024. We identified a difference of £2k in the lump sum calculation for the Chief Officer. The accounts were amended to include the correct figure.	Yes
Note 4 - Expenditure and Income Analysis by Nature	We identified that the audit fee disclosure should be amended to state the final agreed audit fee.	Yes

B. Action plan and recommendations – wider scope and best value

We have set out below, based on our audit work undertaken in 2024/25, the key recommendations arising from our wider scope and best value audit work:

Recommendation	Agreed management response
1. Financial Management – Reporting of savings The budget and financial reports presented to the Board and Audit, Risk and Performance Committee do not detail whether savings are expected to be recurring in nature. Adding this context into both documents would provide a clear indication as to whether savings are expected to be one off savings or whether the benefit will continue in future years. The IJB prepare a year-end outturn which includes the final high-level savings position. However, this report does not include the appendix presented as part of the in-year monitoring reports detailing the final delivery position. It would be good practice to provide this same level of detail as part of the year-end outturn report which allows a comparison across the full financial year. Recommendation: The IJB should indicate whether savings are expected to be recurring or non-recurring in nature. The IJB should prepare a report showing a breakdown of savings delivered on a project basis as part of the year-end outturn report.	Summary has previously been shown at year end but detailed workings always available and this recommendation can easily be implemented along with recurring and non-recurring savings for the next report due. Action Owner: Chief Finance Officer Timescale for implementation: 30 June 2026

B. Action plan and recommendations – wider scope and best value (2)

Recommendation	Agreed management response
2. Assessment over the arrangements to secure Best Value We have noted that the IJB have no mechanism for formally reviewing and reporting on the arrangements to secure best value. Recommendation: 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, Performance and Risk Committee.	The IJB will complete a self assessment for best value assurance for the end of the financial year. Action Owner: Chief Finance Officer Timescale for implementation: 31 March 2026

C. Follow up of prior year recommendations

We identified the following issues in our prior year wider scope work, which resulted in twelve recommendations being reported in our 2023/24 Audit Findings Report. We have performed additional work in year to obtain assurance whether the recommendations have been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress. Six out of twelve recommendations have been cleared with one in progress and five still open.

Recommendations from the wider scope audit

Assessment	Issue and risk previously communication	Management update on actions taken to address the issue	Auditor conclusion
Closed	Revenue Budget Setting The IJB is required to set its budget before the end of March. Whilst the IJB set a working budget on 28 March 2024 it did not formally approve the 2024/25 revenue budget until 30 May 2024. Recommendation: The IJB should ensure it presents its final budget, with all agreed savings, before the start of the financial year	Work has been ongoing throughout 2024/25 to produce a balanced budget for 2025/26 which was presented to the Moray IJB Board on 27 March 2025	The IJB presented the 2025/26 budget to the Board on 27 March 2025, in advance of the start of the financial year and in line with required timescales.

- [Red] Recommendation is open
- [Amber] Recommendation is in progress
- [Green] Recommendation is closed

C. Follow up of prior year recommendations (2)

Recommendations from the wider scope audit

Assessment	Issue and risk previously communication	Management update on actions taken to address the issue	Auditor conclusion
Open	Financial Sustainability – Reserves The IJB intend to utilise £1.346 million of earmarked reserves to bridge the budget deficit in 2024/25. There is a risk that continued reliance on reserves to bridge funding gaps will create financial sustainability issues for the IJB. Recommendation: The IJB will need to continue to monitor the percentage level of adequate reserves as funding gaps continue to grow and the IJB looks to transformation in future years to ensure reserves do not dip to an unsustainable level.	Consideration has been given to the level of reserves in the IJB and the savings achieved are not able to provide a level of general reserves for 2025/26. For 2025/26 budget the IJB again intends to utilise £1 million of ear marked reserves to bridge the budget deficit. The latest Audit Scotland publication makes reference to the fact a significant number of IJBs are using reserves and not just unique to Moray.	The 2025/26 budget has been agreed, with the IJB intending to use £1.000 million of earmarked reserves balances. The IJB have a limited amount of reserves balances (£1.450 million as at end of 2024/25) and continued use of reserves balances to manage the funding gap is not sustainable. The IJB should aim to bridge funding gaps through transformation and identifying alternative ways to deliver services. Recommendation remains valid. Revised Target Date: 31 March 2026
Closed	Medium-Term Financial Strategy The Medium-Term Financial Strategy was last updated in March 2023 and is considered out of date. If the plan is not updated on a regular basis, there is a risk that the IJB are unaware of the potential funding implications over the medium term. Recommendation: The IJB should re-evaluate the financial outlook over the medium term and update the Medium-Term Financial Strategy to identify the total funding gap over the medium term.	The updates to the Medium-Term Financial Framework (MTFF) were delayed, however the MTFF has now been refreshed and was presented at the Moray IJB Committee meeting on 27 March 2025.	The MTFF has been updated and provides detail on the financial pressures for 2025/26 and beyond. The funding gap to 2029/30 is estimated to be £18.2 million.

C. Follow up of prior year recommendations (3)

Recommendations from the wider scope audit

Assessment	Issue and risk previously communication	Management update on actions taken to address the issue	Auditor conclusion
Closed	Reporting of NHS Grampian Internal Audit Activity Internal audit reporting is heavily based on activities within Moray Council. Moray IJB should look to strengthen the reporting of NHS Grampian's internal audit results within the IJB to provide oversight to members and to provide a complete picture of both organisations. Recommendation: To ensure oversight of NHS Grampian internal audit reports, reporting to the Audit, Performance and Risk Committee needs to be strengthened.	Implemented – An agreement has now been reached with the management of NHS Grampian and their Internal Audit Provider to allow the Chief Internal Auditor to confidentially report NHS Grampian's internal audit reviews of systems and practices of interest to the MIJB to the Audit, Performance, and Risk Committee	NHS Grampian Internal Audit report which are relevant to the IJB are now reported in private to the Audit, Performance and Risk Committee. This ensures IJB members have oversight of the reporting of NHS Grampian internal audit activity.
In progress	Senior Management Team Following the retirement of the previous Chief Officer, the current Chief Officer has been appointed on an interim basis. Furthermore, the Chief Social Worker at the Council is also appointed on an interim basis. Recommendation: The IJB and Council need to secure permanent positions for the both posts to provide certainty over the future direction of the IJB.	Following an open recruitment process a permanent Chief Officer was appointed in November 2024, the role being offered and accepted by the person undertaking the role as an interim. Given this, they were able to start in the permanent role immediately. A process will now be undertaken to recruit to the permanent CSWO role.	The IJB have recruited a permanent Chief Officer who has been in role since November 2024 and had previously been appointed on an interim basis. To date, no permanent appointment has been made to the CSWO role meaning this recommendation is in progress. Recommendation is in-progress. Revised Target Date: 31 March 2026

C. Follow up of prior year recommendations (4)

Recommendations from the wider scope audit

Assessment	Issue and risk previously communication	Management update on actions taken to address the issue	Auditor conclusion
Open	Internal Audit Limited Assurance Opinion This is the third year in succession that Internal Audit have provided a limited assurance opinion. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control. Recommendation: The IJB should have definitive plans in place to avoid further limited assurance opinions.	Progress has been made, however there are still concerns with the recommendations being implemented following audits, progress on CareFirst and realisation of the savings, resulting in the Internal Audit Manager providing another limited assurance opinion in 2024/25.	This is the fourth year in succession that Internal Audit have provided a limited assurance opinion. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control. The IJB still require to put definitive plans in place to avoid further limited assurance opinions. Recommendation remains valid. Revised Target Date: 31 March 2026
Closed	Internal Audit Recommendations As part of their reviews, internal audit make recommendations for management to action. Whilst the IJB have introduced a recommendations tracker, this is not presented to each Audit Committee meeting. Recommendation: The IJB should ensure that the tracker of internal audit recommendations is reviewed periodically and reported to each Audit, Risk & Performance Committee meeting.	Tracker has been completed and ownership agreed at OMT meetings, with monthly escalations to SMT on an exception basis. Then if SMT deem it should be escalated to APR a report will be compiled.	The IJB have introduced an internal audit recommendations tracker, however this is not presented to each Audit, Performance and Risk Committee meeting. During 2024/25, the IJB have agreed that internal audit recommendations will be reviewed at Operational Management Team (OMT) meetings, with monthly escalations to Senior Management Team (SMT) meetings on an exception basis. If SMT deem any issues require escalation, a report would then be compiled for reporting to the Audit, Performance and Risk Committee. This approach is deemed to be reasonable and recommendation can be closed.

C. Follow up of prior year recommendations (5)

Recommendations from the wider scope audit

Assessment	Issue and risk previously communication	Management update on actions taken to address the issue	Auditor conclusion
Open	Performance Report – Recommendation: Management should review the format of the Performance Report and content to ensure it is succinct, focuses on the IJB’s performance and outcomes, and supports the user of the financial statements to understand the IJB’s purpose and achievements in year.	Due to continuation of limited staffing resources this has not been able to be achieved in this financial year. The performance will be reviewed for 2025/26 following the approval of the Strategic Delivery Plan which was presented to the Moray IJB Committee on 27 March 2025	There has been no updates to the format of the Performance Report in 2024/25. Recommendation remains valid. Revised Target Date: 31 March 2026
Closed	Financial Sustainability – Reserves – Recommendation: The IJB will need to continue to monitor the percentage level of adequate reserves as funding gaps continue to grow and the IJB looks to transformation in future years to ensure reserves do not dip to an unsustainable level.	There have been no general reserves maintained in the IJB and the level of earmarked reserves has decreased as they have been used during the year.	This recommendation has been superseded by a further recommendation on reserves balances and is now closed.

C. Follow up of prior year recommendations (6)

Recommendations from the wider scope audit

Assessment	Issue and risk previously communication	Management update on actions taken to address the issue	Auditor conclusion
Open	Financial Sustainability - Transformation - Recommendation: A depth of pace will need to be undertaken on the transformation programme to ensure the IJB can bridge the significant funding gap in a short space of time, to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved. To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased productivity and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.	Savings plan in place for 2024/25 covered two financial years and the savings plan in place for 2025/26 will again be over more than one financial year. Transformation plans are also part of the savings plan for future years.	The IJB understand the need for transformational change however the 2025/26 budget monitoring outlines that the IJB is projecting to overspend by £4.685 million. The recommendation remains relevant as the IJB need to continue to look for alternative means of service delivery which will increase productivity and the efficiency of the service. Recommendation remains valid. Revised Target Date: 31 March 2026
Closed	Best Value – External Audit Action Log - Recommendation: Moray IJB should create a mechanism to monitor progress against external audit recommendations and the report should be brought to the relevant Committee on a regular basis to ensure scrutiny and challenge by members.	Included in the papers for IJB on 27 March 2025 and will be scrutinised on a regular basis thereafter	The IJB presented a report to the Audit, Performance & Risk Committee meeting in March 2025 which provided a progress update on external audit recommendations. This will be a standard agenda item going forward.

C. Follow up of prior year recommendations (7)

Recommendations from the wider scope audit

Assessment	Issue and risk previously communication	Management update on actions taken to address the issue	Auditor conclusion
Open	Vision, Leadership and Governance – Internal Audit – Recommendation: Moray IJB should ensure audit recommendation dates are realistic when set and are monitored for implementation. Where dates are moved or not met, a thorough understanding and follow up of these should be sought and explanations provided. A mechanism should be implemented to follow up on officers should missing recommendation deadlines becomes regular.	Tracker has been completed and ownership agreed at OMT meetings, with monthly escalations to SMT on an exception basis. Then if SMT deem it should be escalated to APR a report will be compiled.	The Internal Audit Annual Report confirmed that the follow-up audits undertaken during 2024/25 found a number of recommendations where revised timescales for the implementation of recommendations were required. The need to revisit audit reviews to evidence the implementation of recommendations has resulted in an additional workload commitment for the Internal Audit Section. The implementation of recommendations is a key determinant in assessing the adequacy and effectiveness of the internal control system. If recommendations are not implemented in a timely manner, then weaknesses in control and governance frameworks will remain. The lack of response to previous recommendations is one of the reasons for the limited audit assurance opinion issued by Internal Audit. Whilst we recognise the IJB have agreed an approach to monitoring existing recommendations, focus must be given to implementing these recommendations. Recommendation remains valid. Revised Target Date: 31 March 2026

D. Audit fees, ethics and independence

Independence and ethics

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

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

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

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

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

D. Audit fees, ethics and independence (2)

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats. None of the below services were provided on a contingent fee basis.

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

The final audit fee includes additional audit fee of £2,500 which has been agreed with the Chief Finance Officer. The planned audit fee included an additional fee for significant additional work that is required in the wider scope analysis than would usually be expected. This included a more detailed section on financial sustainability appreciating the significance of savings and budget pressures in 2024/25 and beyond.

The Annual Audit Report was considered by the Audit, Performance and Risk Committee on 29 October 2025 including agreement of audit fees, and agreed by the Board on 30 October 2025.

External audit fee

Service	Planned Fees	Final Fees
External Auditor Remuneration - Baseline	£36,450	£36,450
External Auditor Remuneration - Additional audit fee	£2,500	£2,500
Pooled Costs	£920	£920
Contribution to Performance Audit and Best Value	£7,000	£7,000
Sectoral cap adjustment	(£10,370)	(£10,370)
2024/25 Audit Fee	£36,500	£36,500

The fees reconcile to the financial statements (round £'000 in the financial statements):

- Fees per financial statements £37,000
- Total fees as above £36,500

Fees for other non-audit services

Service	Fees £
We confirm that for 2024/25 we did not receive any fees for non-audit services	Nil

The final audit fee with the additional fees is £36,500. The total fee is £2,500 higher than the Audit Scotland indicative fee set.

E. 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 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).

F. Communication of audit matters

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



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