



Moray Integration Joint Board Annual Audit Report

Financial year ending 31 March 2026

Prepared for those Charged with Governance and the
Accounts Commission

24 September 2026



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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 2026 for those charged with governance (the Board) and the Accounts Commission.

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 2026 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 2025/26 CIPFA Code of Practice on Local Authority Accounting;
- 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 2026. 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 24 September 2026.

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

We have not identified any misstatements to primary statements, with very minor disclosure issues amended by management, that did not warrant detailed reporting, as noted in Appendix 1.

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 the wider IJB team, in completing the external audit.

Wider scope

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

In our External Audit Plan for the year ended 31 March 2026, 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 on wider scope are outlined on pages 21 to 40.

We have raised not raised any new recommendations for management as a result of our audit work on wider scope.

We have followed up the 2 recommendations raised in our previous audit report in 2024/25 and the 6 outstanding recommendations that were not yet actioned from our 2023/24 audit report. Out of those 8 recommendations, 5 have been cleared with 3 remaining open. The results are set out at Appendix B.

The clearance of the remaining recommendations will be followed up in 2026/27. Some recommendations are from the 2024/25 audit and prior and should be implemented by management.

This is the fifth consecutive year that Internal Audit has issued a limited assurance opinion, reflecting ongoing weaknesses in the framework of governance, risk management and control. Five consecutive years of limited assurance is unusual, and underlying issues have not yet been fully resolved despite the steps taken so far.

Several internal audit recommendations remain outstanding across multiple years. While management has taken some action, and the Audit, Performance and Risk Committee has continued to provide challenge and scrutiny, the pace of resolution has not been sufficient to close these out. The IJB should consider a refreshed approach to clearing outstanding actions with clearer ownership and realistic timescales to help ensure recommendations are actioned more promptly going forward.

Integration Joint Board's have a statutory duty to have arrangements to secure Best Value. The IJB have adequate arrangements in place to meet the Best Value obligations, and a review of Best Value has been undertaken and reported in year. This was a recommendation in our report last year to undertake this assessment, and the recommendation has now been closed.

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 Accounts Commission 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 24 March 2026.

The core elements of our audit work in 2025/26 have been:

- An audit of the IJB's annual report and accounts for the financial year ended 31 March 2026 [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

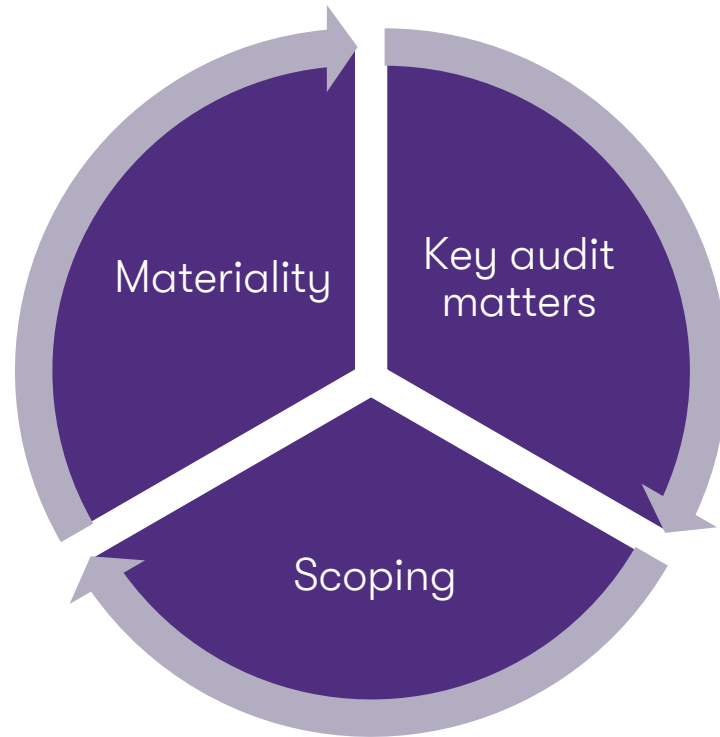
We aim to add value to the IJB throughout our audit work. We do this through using our wider public sector knowledge and we invited IJB officers to our annual local government accounting workshop.

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 25 June 2026. 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 2025/26 draft financial statements and concluded that materiality is £5.657 million (PY £5.257 million), which equates to approximately 2.5% (PY 2.5%) of 2025/26 gross expenditure.
- Performance materiality was set at £4.243 million (PY £3.943 million) representing 75% of our calculated materiality (PY 75%).
- We report to Officers (Management) any difference identified over £0.282 million representing 5% of our calculated materiality (PY £0.263 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 24 March 2026 as final gross expenditure for 2025/26 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 2025/26 Local Government CIPFA Code of Accounting 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.

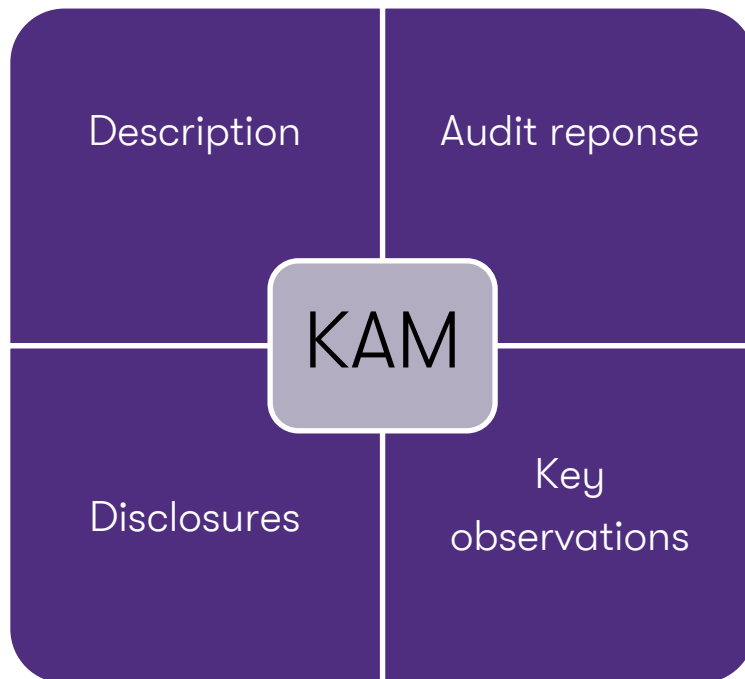
Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude 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 (1)



Responding to significant financial statement risks

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

Key audit matters

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

These matters 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

Commentary

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.

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 (1)

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. There are no issues to raise.
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 that do not warrant further detail. We are satisfied that there are no material inconsistencies to report.

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.
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 additional 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

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 in June 2026.
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

Any IT findings are reported to Moray Council and NHS Grampian as part of their Annual Audit Reports.

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 and best value arrangements

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four audit areas that frame wider scope into specified reporting criteria. These are as set out below:



Financial management

Has the body got sound budgetary process, financial capacity and the control environment and internal controls are operating effectively.



Financial Sustainability

How the body looks forward to the medium and longer term to consider whether the body is planning effectively to deliver its services or the way in which they should be delivered.



Vision, Leadership and Governance

How effective are the body's scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



Use of Resources to Improve Outcomes

How the body makes best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources and reporting performance against outcomes.

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	Due to costs pressures and the non-delivery of all required savings during 2025/26, both partner organisations required to provide significant additional funding contributions totalling £7.2 million to enable the IJB to achieve financial balance. The IJB were transparent on the expected outturn, with monitoring reports highlighting the expected overspend position, ensuring the partner authorities were aware they would need to provide additional funding. The IJB have made improvements to the year end reporting of savings by including a full analysis on the outcome of the in-year savings plan, alongside confirmation of whether savings have been recurring or non-recurring in nature.
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 2026/27 budget, approved in March 2026, included upfront deficit funding from both partner authorities and enabled the IJB to set a balanced budget. The balanced budget includes an expectation that the IJB will deliver a significant level of savings totalling £5.718 million. Looking ahead, the IJB forecasts a funding gap of £39 million by 2030/31, representing a significant increase from previous projections. As the IJB currently holds no general reserve balance, future financial shortfalls would require additional support from partner authorities. In this context, the successful delivery of transformation and service redesign will be critical to addressing the projected funding gap and supporting the IJB's long-term financial sustainability.
Vision, Leadership and Governance	The effectiveness of the IJB's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the IJB	No	The IJB have governance arrangements in place that are appropriate and operate effectively however, for the fifth consecutive year, Internal Audit has issued a limited assurance opinion, indicating that weaknesses in governance, risk management and internal control arrangements remain. While progress has been made in addressing these issues, the IJB should look to address known issues which will strengthen the overall control environment and achieve a higher level of assurance in future years. The IJB is progressing the implementation of an organisational restructure, which includes the appointment of a permanent Chief Social Worker from August 2026.
Use of Resources to Improve Outcomes	How the IJB demonstrates economy, efficiency and effectiveness through its use of financial and other resources	No	The IJB's performance is showing a general trend of improvement against the national indicators with many indicators also performing above the Scottish average. However the majority of local indicators are below the IJB's own set target. The IJB have performed a review of progress against the Scottish Government's Best Value Framework during 2025/26 which provided assurance that the IJB were meeting their Best Value obligations.

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

Wider scope audit – financial management (1)

Wider scope area

Wider scope audit response and findings

Conclusion

Financial management

No risk identified

Financial Performance

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 was £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.

Throughout 2025/26, there were several adjustments to the 2025/26 Revenue Budget. All budget revisions were reported to the IJB.

The table below shows the IJB's outturn position for the year. It is important to note this outturn position is after the IJB received additional funding from the two partner authorities, plus further funding from the Scottish Government which is included within earmarked reserves at year end. Prior to receiving the additional funding from partner authorities, the IJB had a £7.2 million deficit for 2025/26. As a result, the final revised budget position for 2025/26 was £229.318 million.

The IJB had total expenditure of £226.308 million, resulting in an underspend against the final budget of £3.010 million.

2025/26 Financial Outturn	Revised Budget (£m)	Actual (£m)	Variance (£m)
Core Services	194.859	200.211	(5.352)
Strategic Funds & Other Resources	14.367	6.005	8.362
Set Aside	20.092	20.092	-
Total	229.318	226.308	3.010

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.

The IJB required significant additional funding contributions from both partners in order to achieve the year-end outturn position.

The IJB was predicting a significant overspend throughout 2025/26, which peaked at £8.78 million.

The overspend of £7.2 million was fully funded by the partner authorities, with Moray Council providing £3.4 million and NHS Grampian £3.8 million.

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 monitoring reports taken to the Board made it clear early in the year that savings would not be delivered. The IJB must ensure that its savings plans are realistic and based on what is able to be delivered. The IJB did not deliver all planned savings in 2025/26 and required additional funding from partners to meet the in-year funding deficit.								
	The main overspends within core services were as follows:									
	• Mental Health - The service was overspent by £0.654 million due to the ongoing use of agency locums, additional purchase of care costs within care homes and care at home and unachieved savings. • Older People Services and Physical & Sensory Disability – The overspend of £1.933 million primarily related to overspends for home care and permanent care due to the increase in clients receiving nursing care rather than residential care. • Admin and Management- The admin and management budget reported an overspend of £1.030 million, mainly due to interim staffing arrangements and the vacancy target for Moray Council not being met									
	<u>Financial Performance - Savings</u>									
	To balance the 2025/26 budget, the IJB intended to make savings of £9.469 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. 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 year-end outturn report, presented to the IJB Board on 25 June 2026, provides an overview on the savings delivered during 2025/26:									
	<table><tr><td></td><td>Actual (£m)</td></tr><tr><td>Savings delivered</td><td>4.343</td></tr><tr><td>Savings delivered through reduction in overspends</td><td>1.031</td></tr><tr><td>Savings not delivered</td><td>4.095</td></tr></table>		Actual (£m)	Savings delivered	4.343	Savings delivered through reduction in overspends	1.031	Savings not delivered	4.095	
	Actual (£m)									
Savings delivered	4.343									
Savings delivered through reduction in overspends	1.031									
Savings not delivered	4.095									

Wider scope audit – financial management (3)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial management (continued)	<u>Financial Performance – Savings (continued)</u> Of the £4.343 million of savings delivered in year, the IJB expect £3.660 million to be recurring in nature, with the remaining £0.683 million being non-recurring savings. In response to our previous audit recommendation, the IJB now include confirmation on whether savings were recurring or non-recurring in the both the Annual Accounts and the year-end outturn report. We have also confirmed that the year-end outturn report has been updated to include an appendix showing the complete 2025/26 savings plans, confirmation of the amount of savings achieved in 2025/26 and final RAG rating for the delivery of the savings. This is the same level of detail that is included in the quarterly monitoring reports and enables a full comparison to be drawn across the financial year. <u>Financial Management Arrangements</u> The IJB’s financial performance is monitored through regular budget monitoring reports to the Board, which provides members and senior management with timely and accurate information on the current and projected year-end financial position. The monitoring report clearly sets out any budget revisions, the forecast outturn position and any significant variances. Members are provided with opportunities to review, challenge and scrutinise financial performance, supported by real-time financial information from Moray Council and NHS Grampian systems. The IJB continues to commission services from both partner organisations, with the management of services operating under their respective financial governance arrangements. The IJB’s Financial Regulations were reviewed and approved by the Board on 29 May 2025. The IJB has established a Budget Savings Oversight Group, chaired by the Chief Officer and supported by the senior management team and project management officers. The Group meets monthly to monitor progress against savings programmes, with a particular focus on high-risk and high-value savings initiatives. The individuals responsible for preparing and reporting financial information are qualified, experienced and have significant knowledge of the organisation. However, due to the small size of the finance team, staff absences could create capacity pressures.	The IJB have responded to our previous audit recommendation, with the year end outturn report showing a final savings analysis for the financial year, alongside confirmation of whether savings have been recurring or non-recurring in nature.

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 2026/27

The 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.

The 2026/27 Revenue Budget was presented to the Board in March 2026 alongside an updated Medium Term Financial Framework covering 2026/27 – 2030/31. The budget for 2026/27 is £233.766 million which included £20.092 million for set aside services. The 2026/27 budget is £7.458 million higher than the final outturn position for 2025/26. The funding provided from the partner authorities totalled £228.048 million. Built into the 2026/27 funding assumptions is projected savings of £5.718 million. The budget include details of all savings on a project-by-project basis, and the expected savings to be delivered for each project. The budget confirms the IJB expect £5.428 million of these savings to be recurring in nature.

The budget is reflected in the table below:

2026/27 Budget	£m
Total Budget	233.766
Total Funding	(228.048)
Savings Identified	(5.718)
Total	-

For 2026/27, the IJB has adopted a revised funding approach that includes £9.0 million of planned deficit funding from Moray Council and NHS Grampian. In contrast to previous years, where deficit support was considered during the financial year if required, funding has been provided at the outset of the financial year and enabled the IJB to set a balanced budget. The approach acknowledges the recurring nature of current financial pressures and provides greater financial stability to both the IJB and partner authorities.

The IJB agreed the 2026/27 budget in line with required timescales.

The upfront deficit funding provides short-term financial stability, enabling the IJB to set a balanced budget while progressing savings and transformation initiatives to support longer-term sustainability.

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 2026/27 (continued)</u> The level of savings the IJB require to produce in year is significant. As outlined, the IJB did not deliver all planned savings for 2025/26 and were the full £5.718 million of savings not fully achieved during 2026/27, 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 2026/27 via the Budget Savings Oversight Group. The savings programme focuses on the IJB's strategic themes of Building Resilience, Home First and Partners in Care, alongside a number of already implemented cost reduction measures. Key savings include reviews of care packages and commissioning arrangements, review of out-of-area placements, vacancy management and reductions in overtime. The savings programme is intended to support financial sustainability while progressing service transformation and redesign. <u>2026/27 Revenue Budget Monitoring</u> The IJB will present the Quarter 1 revenue monitoring report to the September 2026 Board Meeting. We have been provided early sight of the report which provides an update on the IJB's performance against the 2026/27 budget and shows detailed forecast projections for the remainder of 2026/27. Important context for the report is that it has been prepared without recognising the additional £9 million of planned deficit funding agreed by the partner authorities. The budget position at the end of June 2026 is an overspend to date on the Core Services budget of £1.615 million, and an overspend on the Strategic Funds budget of £0.358 million. Looking ahead, the IJB are forecasting a budget deficit of £8.975 million (3.8% of the IJB budget) for financial year 2026/27. This position is within the parameters of the deficit funding from the partners authorities, meaning the IJB are projecting to break even when including the anticipated £9 million of funding. 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 2026, the IJB were predicting: - Expect to achieve £4.1 million of savings (rated green) - £1.6 million of savings are at risk of not being achieved (rated amber or red). As all intended savings will not be delivered in 2026/27, the IJB are in the process of identifying new savings which will help to reduce the overall projected deficit.	The IJB will need to deliver significant savings to address the projected funding gap in 2026/27. The IJB are projecting to break-even in 2026/27 when additional deficit support funding is included in the current projections. It is unlikely that the IJB will deliver all required savings in 2026/27 and will review alternative options to help reduce the projected deficit.

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 long-term financial sustainability, the IJB must successfully deliver its savings and transformation programme to reduce funding gaps and support the continued delivery of key services and strategic priorities. Failure to achieve planned savings and transformation outcomes could result in significant financial pressures and increase the risk to the IJB's financial sustainability in the short to medium term.
	The updated Medium Term Financial Framework (MTFF) 2026/27 – 2030/31 was approved at the IJB Board meeting on 26 March 2026. The financial pressures for 2026/27 and beyond are significant, with the total funding gap for the period currently projected to be £39.020 million.	

Wider scope audit – financial sustainability (4)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)	<u>Reserves</u> Reserves are an important indicator of an organisation's financial resilience and overall financial health. As at 31 March 2026, the IJB held £3.010 million in reserves, all of which were earmarked for specific purposes. During 2025/26, earmarked reserves increased by £1.560 million. The IJB general reserves balance is nil, meaning future overspends would need to be fully met by the partner authorities, as all available reserves are earmarked. There is no general reserves balance available which would provide flexibility or resilience against unforeseen financial pressures. While the 2026/27 budget does not rely on the use of general reserves, the absence of an uncommitted reserve balance limits the IJB's ability to respond to emerging risks and funding uncertainties. The IJB should therefore seek to rebuild a sustainable level of general reserves over the medium term to strengthen its financial resilience and support long-term financial sustainability.	The IJB does not hold any general reserve balance at 31 March 2026, and the level of reserves is at an unsustainable level. Therefore, any overspend in 2026/27 will need be met by partner bodies.

Wider scope audit – financial sustainability (5)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)	<u>Transformation Plans</u> The IJB faces a significant and growing cumulative funding gap over the next four years, with the latest MTFF identifying a substantially larger shortfall than the previous iteration. This increases the financial challenge facing the IJB over the medium term, will require continued focus on delivering sustainable savings and operating within available resources. As a result, the IJB must balance the need to achieve financial sustainability with its responsibility to deliver quality and safe services and meet its strategic priorities. As part of the management restructure, the IJB is establishing a Transformation Board to strengthen oversight of service redesign and delivery of the savings programme. This work is being aligned with the Budget Savings Oversight Group and reflects the significant financial challenges facing the sector, including the wider financial pressures across Integration Joint Boards and the limited prospect of additional funding. The Transformation Board will oversee a programme of longer-term change, with a focus on identifying sustainable efficiencies and alternative models of service delivery. Key areas under consideration include workforce planning and organisational structures, opportunities for greater multidisciplinary and integrated working, the future configuration of bed-based services, and a review of care allocation and eligibility thresholds. The programme will also support a strategic shift towards prevention and early intervention, with particular emphasis on reducing demand for higher-cost services and supporting more individuals, including children and young people, to receive care and support within Moray wherever appropriate. These changes are intended to improve outcomes while ensuring services remain financially sustainable.	Given the scale of the financial challenge, continued progress in delivering transformation and service redesign will be essential to achieving planned financial benefits and reducing future funding pressures to support medium to long term financial sustainability. Members should maintain oversight of the transformation programme to monitor progress and ensure planned benefits are realised.

Wider scope audit – financial sustainability (6)

Wider scope area	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)	<u>Audit Scotland - Review of Integration Joint Boards</u> In February 2026, Audit Scotland published Integration Joint Boards: Finance Bulletin 2024/25 which provided an independent analysis over the finances of Integration Joint Boards for financial year 2024/25. Key findings from the report included: • Financial pressures across IJBs continue to outstrip funding growth, requiring difficult decisions on service redesign, reduction and prioritisation. • Reserve levels across the sector continue to decline, with many IJBs holding little or no contingency reserves to manage emerging financial pressures. • Reliance on partner funding to support deficits is increasing, despite partners facing significant financial challenges of their own. 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.	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 (1)

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance No risk identified	<u>Governance Arrangements</u> The IJB has established governance arrangements in place and operates through a committee-based governance structure, with delegated responsibilities assigned to a number of committees to support the oversight and delivery of services. The governance framework currently comprises three committees: the Integration Joint Board, the Audit, Performance and Risk Committee, and the Clinical and Care Governance Committee. The IJB have also established an Operational Governance Group to strengthen operational oversight. We have attended all Audit, Performance and Risk Committee meetings during 2025/26. The IJB is progressing the implementation of an organisational restructure. The restructure is intended to provide greater clarity in senior management roles and increase organisational stability through the creation of permanent posts where appropriate. Recruitment is underway for a Head of Strategic Planning, Commissioning and Transformation to strengthen leadership capacity in this area, and a new Chief Social Work Officer has been appointed from August 2026. There are transition arrangements in place to support a smooth handover from the outgoing Chief Social Work Officer, who has been carrying out the role on an interim basis from May 2024. <u>Governance Statement</u> 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 2025/26 (see Internal Audit section at page 35 for further detail).	We conclude that the Audit, Performance and Risk Committee effectively challenge and scrutinize reports presented and ensure effective decision making. The Council have appointed a permanent Chief Social Work Officer from August 2026.

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

Wider scope area	Wider scope audit response and findings	Conclusion
Vision, leadership and governance (continued)	<u>Risk Management</u>	The IJB are reporting risk management updates to the Audit and Risk Committee on a regular basis, with effective scrutiny and challenge provided.
	The Strategic Risk Register was subject to review during 2025 and the updated version formally approved by the Board in May 2025. It is reviewed monthly by the Senior Management Team. Following agreement by the Board on 25 September 2025, the Strategic Risk Register is subject to review by the Audit, Performance and Risk Committee before being submitted to the Board for approval, providing additional scrutiny and assurance within the governance process.	
	The most recent risk register presented to the Board in March 2026 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 line with our findings reported in the financial sustainability section of this report.	The very high level risk is consistent with previous years and continue to be assessed and reported at regular intervals.

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</u> Internal audit services for the IJB are provided by Moray Council's Audit and Risk Manager, who has held this role since 2022 and has been reappointed to continue providing services until 31 March 2028. The Audit, Performance and Risk Committee receives quarterly internal audit reports, including audit findings and follow-up reviews, providing members with assurance over the effectiveness of internal controls. Since 2021/22, internal audit have provided the IJB with a limited assurance audit opinion. This has continued to be the case for 2025/26, with the internal audit opinion confirming that “while progress has been made in strengthening governance and internal control arrangements within the MIJB, the outcomes of the audit work undertaken identified significant findings. In addition, several recommendations from previous reviews remain outstanding. After careful consideration of these factors, the Chief Internal Auditor has provided limited assurance that the MIJB had adequate systems of governance and internal control in place for the year ended 31 March 2026.” Therefore, this is the fifth year in succession that Internal Audit have provided a limited assurance opinion to the IJB. Fundamentally, this indicates there are weaknesses in the framework of governance, risk management and control. We note that the Chief Internal Audit has confirmed that “significant progress has been made in strengthening governance and internal controls within the MIJB and it is anticipated that this will support the delivery of required improvements going forward”. However internal audit reviews have continued to identify significant findings, with several recommendations outstanding and requiring revised implementation timescales or further follow-up. Furthermore, the development of a single case recording system also remains a key priority for the Service. Given the continued limited assurance opinion, outstanding audit recommendations and ongoing replacement of the CareFirst system, our previous audit recommendation relating to internal audit activity remain valid until there is clearer evidence of sustained improvement.	The IJB have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls. This is the fifth consecutive year in which Internal Audit has issued a limited assurance opinion. While progress has been made in addressing these issues, the IJB should establish and deliver definitive improvement plans to strengthen its control environment and achieve a higher level of assurance in future years. Effective Audit, Performance and Risk Committee challenge and scrutiny is paramount when dealing with five years limited opinions Internal audit recommendations have accumulated over a number of years, highlighting the need for the IJB to ensure that agreed actions are implemented promptly and effectively. As progress remains outstanding in several areas, our previous recommendation remains valid.

Wider scope audit – use of resources (1)

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 an approved Strategic Plan (2022-2032) which sets out the ten-year vision, priorities and direction for health and social care services across Moray. The Strategic Plan is the IJB's overarching strategic document that sets out what it wants to achieve, why change is needed, and how health and social care services will be delivered and transformed across the life of the plan. The IJB will be undertaking a review and refresh of the Strategic Plan during 2026/27, with an aim to approve the updated version in March 2027. To supports the delivery of the Strategic Plan, the IJB have an approved Strategic Delivery Plan 2025-2028 which sets out the key transformation and improvement activities required to achieve its strategic priorities. The Plan links actions to the IJB's strategic themes and objectives, identifies lead officers and timescales, and is regularly monitored by management and governance groups. Progress is reported to both the Board (every six months) and the Audit, Performance and Risk Committee (quarterly). <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. Our review of the 2025/26 performance report highlights that out of the 19 national indicators reported: • 15 indicators were showing as green (IJB performance has improved from last year), • one indicator was showing as amber (performance is similar to last year) • two indicators were showing as red (performance is worse than previous year. • there was one indicator that data is not available for reporting. The table on the following page provides detail on the IJB's performance across several of the national indicators.	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. 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.

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	Scotland Avg. (25/26)	2024/25	2025/26	Trend	
	1. Percentage of adults able to look after their health very well or quite well	91%	92%	93%	↑	
	2. Percentage of adults supported at home who agree that they are supported to live as independently as possible	74%	72%	75%	↑	
	3. Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided	64%	59%	65%	↑	
	8. Percentage of carers who feel supported to continue in their caring	32%	28%	29%	↑	
	9. Percentage of adults supported at home who agree they felt safe	75%	70%	77%	↑	
	12. Emergency admission rate	11,470	6,096	7,434	↓	
	14. Readmission to hospital within 28 days	104	61	72	↓	
	17. Proportion of care services graded 'good' (4) or better in Care Inspectorate inspections	83%	73.8%	86%	↑	

Source: 2025/26 Annual Performance Report

Moray continues to face significant demographic, workforce and financial pressures. An increasing older population, coupled with a declining working-age population, ongoing recruitment challenges and limited housing availability, is placing growing demand on services. Although pressures within adult social care are evident across the local government sector and are not specific to the IJB, these factors increase the risk of difficulties in maintaining sustainable service provision within the area.

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 to the Audit, Performance and Risk Committee. Performance is reported in a RAG status, and all but one indicator (A&E attendance rate) has been assessed as red at Quarter 4, meaning the IJB is performing worse than target by more than the agreed tolerance. The table below shows the performance of each indicator as at March 2026:

	Target	2024/25	2025/26	Trend
A&E attendance rate per 1000 population all ages	21.4	22.0	21.9	↑
Number of Delayed Discharges (including code 9) at census point	26	40	34	↑
Number of bed days occupied by delayed discharges (incl. code 9) at census point	850	1,149	1,004	↑
% Emergency readmissions to hospital within 7 days of discharge	3.7%	3.9%	5.2%	↓
% Emergency readmissions to hospital within 28 days of discharge	7.4%	7.4%	10.4%	↓
% of patients commencing Psychological Therapy Treatment within 18 weeks of referral	90%	65%	41%	↓
NHS Sickness Absence (% of hours lost)	4%	4.9%	6.6%	↓
Council Sickness Absence (% of calendar days lost)	4%	8.2%	8.5%	↓

Source: Quarter 3 and 4 – Performance Report (Adult Services)

Overall, performance during Quarters 3 and 4 of 2025/26 was mixed. Encouraging progress was evident in reducing delayed discharges, unmet care needs and advancing key strategic priorities. However, significant challenges remain in relation to hospital readmissions, access to psychological therapies, workforce absence and ongoing demand pressures. Despite these challenges, progress across the Strategic Delivery Plan and a number of measurable service improvements demonstrate continued efforts to improve outcomes and support sustainable service delivery.

The IJB's performance is below target across all reported local indicators. Although there are some emerging improvements, significant challenges continue to impact performance and achievement of expected outcomes.

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 Framework Development</u> The IJB have undertaken a review of the performance management framework during 2026 and is nearing completion. The revised performance framework has been strengthened through enhanced performance and budget scrutiny arrangements. A key change has been the focus to shift towards more integrated reporting across all delegated services, rather than individual service level reports, to provide a more cohesive view of system performance. Reporting will be presented three times per year to the Audit, Performance and Risk Committee. The IJB have also introduced quarterly meetings with the Chief Executive and Section 95 Officer at Moray Council and Chief Executive and Director of Finance at NHS Grampian with a focus on Performance and budgets. The ongoing refresh of the Strategic Plan is expected to support the development of SMART objectives and associated performance measures, which will be incorporated into future reporting.	A refreshed performance management framework has been undertaken with enhanced performance and budget reporting and scrutiny.

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.

In our previous audit, we recommended 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, with the outcome of the assessment reported to the Audit, Performance and Risk Committee. During 2025/26 a review of progress against the Scottish Government's Best Value Framework was undertaken and provided assurance that the IJB were meeting their obligations. This was reported to the Audit and Risk Committee in June 2026.

Appendices

A. Audit adjustments (1)

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

Impact of adjusted misstatements

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

Impact of unadjusted misstatements

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

Impact of unadjusted misstatements in the prior year

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

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 IJB has corrected these in the final version of the financial statements. Such changes are are expected and do not warrant detailed explanation.	Yes

B. Follow up of prior year recommendations (1)

We have identified the following issues in our prior year wider scope work, which resulted in eight recommendations being reported in our 2024/25 Annual Audit 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. Five out of eight recommendations have been cleared with three remain 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	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.	2026/27 budget has been agreed without the use of any reserves to balance the budget. There is no general reserve but there is ear marked reserves totalling £3m	The IJB continues to have no general reserve balance and all reserves held at 31 March 2026 are earmarked for specific purposes. No reserves balances are being used in 2026/27 to balance the budget. In the absence of general reserves balances, the IJB are looking at alternative mechanisms to balance the budget, via savings delivery and transformation. Whilst the IJB would like to build up a working general reserves balance, we acknowledge that this is unrealistic in the medium term, and immediate focus is on managing future predicted deficits. Recommendation closed.

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

B. 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
Closed	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.	Recruitment has been successful for the appointment of a permanent Chief Social Work Officer, The candidate will be commencing in the role in August 2026.	The IJB have now appointed both a permanent Chief Officer and Chief Social Work Officer. The IJB have transition arrangements in place to support a smooth handover from the outgoing Chief Social Work Officer, Recommendation closed.

B. 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
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.	Significant progress has been made, however there are still concerns with the recommendations being implemented following audits and progress on CareFirst (system is currently being replaced with a go live date of 31 March 2027), resulting in the Internal Audit Manager giving a limited assurance opinion.	This is the fifth year in succession that Internal Audit have provided a limited assurance opinion. We note that the Chief Internal Audit has confirmed that “significant progress has been made in strengthening governance and internal controls within the MIJB and it is anticipated that this will support the delivery of required improvements going forward”. However internal audit reviews have continued to identify significant findings, with several recommendations outstanding and requiring revised implementation timescales or further follow-up. Furthermore, the development of a single case recording system also remains a key priority for the Service. Given the continued limited assurance opinion, outstanding audit recommendations and ongoing replacement of the CareFirst system, this recommendation remains valid until there is clearer evidence of sustained improvement. Recommendation remains valid. Revised Target Date: 31 March 2027

B. 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
Closed	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.	The performance reporting was reviewed during 2025/26 following the approval of the Strategic Delivery Plan approved by the IJB Committee on 27 March 2025. Format was updated from the Q3 report	The IJB have updated their performance reporting during 2025/26, and performance indicators give a clear reflection of current performance. Performance information is also clearly set out in the Annual Accounts. Recommendation closed.
Open – ongoing work	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 2025/26 covered two financial years and the savings plan in place for 2026/27 will again be over more than one financial year. Transformation plans are also part of the savings plan for future years in conjunction with the Medium Term Financial Framework.	The IJB has developed savings plans that incorporate a programme of transformation and efficiency measures to help address its financial challenges. Continued focus on accelerating the pace of transformation, alongside robust delivery and monitoring of savings plans, will be critical to achieving financial balance and reducing the risk of financial instability in the medium to longer term. Recommendation remains valid. Revised Target Date: 31 March 2027

B. 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	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.	Significant progress has been made, however there are still concerns with the recommendations being implemented following audits.	Internal audit reviews have continued to identify significant findings, with several recommendations outstanding and requiring revised implementation timescales or further follow-up. 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 2027

B. 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
Closed.	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.	Recurring and non recurring savings have been reported throughout 2025/26. The outturn report includes savings details.	The IJB's savings tracker now clearly indicates whether savings are non-recurring in nature, with all other identified savings assessed as recurring. This can be seen in the 2026/27 savings tracker reported as part of the 2026/26 budget paper. The 2025/26 outturn report, which was presented to the June 2026 Board meeting, provided a full breakdown of the savings delivered on a project basis, reflecting the same information that has been presented in the monitoring report during the year. This reflects an improvement in the reporting of the savings position. Recommendation closed.

B. 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
Closed	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.	Self assessment reported to Audit, Performance & Risk 25 June 2026.	During 2025/26 a review of progress against the Scottish Government’s Best Value Framework was undertaken and provided assurance that the IJB were meeting their obligations. This was reported to the Audit and Risk Committee in June 2026. Recommendation closed.

C. 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.

C. 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 Annual Audit Report was considered by the Audit, Performance and Risk Committee and Board on 24 September 2026. The fee has not changed from the amount set out and agreed in our Audit Plan.

External audit fee

Service	Planned Fees	Final Fees
External Auditor Remuneration - Baseline	£37,830	£37,830
Pooled Costs	£1,300	£1,300
Contribution to Performance Audit and Best Value	£7,050	£7,050
Sectoral cap adjustment	(£10,700)	(£10,700)
2025/26 Audit Fee	£35,480	£35,480

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

- Fees per financial statements £35,000
- Total fees as above £35,480

Fees for other non-audit services

Service	Fees £
We confirm that for 2025/26 we did not receive any fees for non-audit services	Nil

This covers all services provided by us and our network to Moray IJB, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

D. 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 [2025-transparency-report.pdf](#).

Grant Thornton publishes an annual Audit Quality Report, which sets out details of the actions we have taken over the past year to meet our audit quality framework and provides a forward look on our plans for the future. For more details see [audit-quality-report-2026-final.pdf](#).

E. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

E. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

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

Respective responsibilities

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

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

Distribution of this Annual Audit Report

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



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