

Annual Audit Report for Moray Integration Joint Board

Financial year ended
31 March 2023

Prepared for those Charged with Governance and
the Controller of Audit

18 October 2023



Contents



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

Angela Pieri

Engagement Lead

T: 0161 214 6337

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

Hannah McKellar

Audit Manager

T: 0131 659 8568

E: Hannah.L.McKellar@uk.gt.com

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

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of Moray Integration Joint Board (IJB) and the preparation of the financial statements for the year ended 31 March 2023 for those charged with governance (the Board) and the Controller of Audit.

Financial Statements

Summary

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

- The IJB's financial statements give a true and fair view of the state of affairs of the IJB as at 31 March 2023 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 2022/23 Code;
- the IJB's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

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

Based on our work to date, and the satisfactory completion of our final procedures, we plan to issue an unmodified opinion.

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 2023, with the IJB authorising their financial statements on 29 June 2023. We have been supported by Moray IJB's officers during the audit process with effective working relationships and commitment to the audit process.

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

Target completion dates

The target completion dates for the 2022/23 audit moved back to pre-Covid timetables, with 30 September 2023 as the target dates set. The target timeline has not been achieved, with this Auditor's Annual Report planned to be presented to the Audit, Performance and Risk Committee and Moray Integration Joint Board on 26 October 2023.

Executive Summary (2)

Financial Statements (continued)

Misstatements and recommendations

Our audit work was substantially completed during September and October 2023. Our findings are summarised on pages 8 to 18. Subject to the conclusion of outstanding matters listed on page 7, we have identified no adjustments or unadjusted misstatements to the primary financial during the course of the audit. Further detail is set out within [Appendix 1](#) including disclosure adjustments.

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

Our follow up of the recommendations made by the predecessor auditor last year are detailed in [Appendix 4](#).

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

Wider Scope

Wider Scope

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

In our External Audit Plan for the year ended 31 March 2023, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified one risk in respect of financial sustainability.

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

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

We have raised six recommendations for management as a result of our audit work on wider scope. These are set out in [Appendix 3](#).

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

Introduction

Scope of our audit work

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

The core elements of our audit work in 2022/23 have been:

- An audit of the IJB's annual report and accounts for the financial year ended 31 March 2023 [findings reported within this report];
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2021 ('the Code') [within this report];
- Any other work requested by Audit Scotland.

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

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

Responsibilities

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

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

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

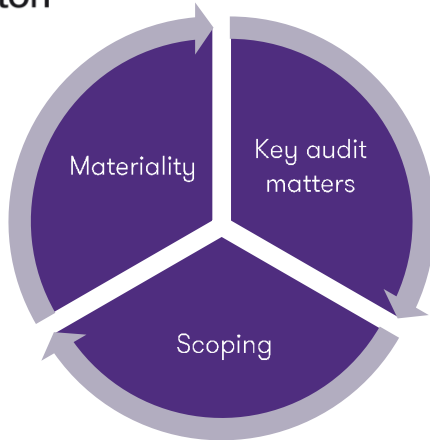
Adding value through our audit work

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

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

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

£2.532 million which represents 1.5% of the IJB's gross expenditure.

This has increased from the Audit Plan value of £2.300 million due to the update of the materiality based upon the actual values within the 2022/23 draft financial statements.

Key audit matters

There were no key audit matters identified.

Significant risks

The significant risks were identified as:

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

Internal control environment

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

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

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

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

We have not identified any changes in our approach since our Audit Plan was presented to the Audit, Performance and Risk Committee on 30 March 2023. The risks identified remain the same.

Status of Audit Work

As an audit team, we have focused on concluding our work on the significant audit risks and the significant classes of transactions we have identified in our scoping. These are the areas of the accounts that are, in our view, at greater risk of material misstatements, with a potential to impact our auditor's opinion.

We have completed our audit work in all these areas with the exception of:

- final queries on the agreement of income and expenditure balances to NHS Grampian and Moray Council assurance letters

Our work is subject to the following closing procedures which necessarily take place within the concluding stages of the audit:

- up to date review of Committee minutes and internal audit reports
- final review by the engagement manager and engagement lead
- receipt of the final signed management representation letter
- review of the final set of financial statements
- receipt of final signed financial statements
- final sign off by the engagement lead
- receipt of management's updated going concern and post balance sheet events assessment at the date of sign off.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Our application of materiality

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

Our audit approach was set out in our Audit Plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2022/23 draft financial statements and concluded that materiality is £2.532 million representing 1.5% of Moray IJB's gross expenditure.
- Performance materiality was set at £1.645 million, representing 65% of our calculated materiality.
- We report to Officers (Management) any differences identified over £0.126 million.
- We applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Officer and Board Member Remuneration Tables due to the sensitive nature of this disclosure, the lower materiality applied to this area was £0.005 million.

Materiality and performance materiality for financial statements as a whole

Headline Materiality threshold

Overall materiality has been set at £2.532 million which represents 1.5% of the IJB's gross expenditure. Overall materiality is £1.132 million higher than the materiality level set by the predecessor auditor last year.

Performance Materiality threshold

Performance materiality for the year has been set at £1.645 million which represents 60% of financial statement materiality. Performance materiality is £0.545 million higher than the materiality level set by the predecessor auditor last year.

Significant judgements made by auditor in determining the materiality

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

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

We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.

Detecting irregularities, including fraud

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Moray IJB and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2022/23 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, concerning the IJB's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the IJB's financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the IJB's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - Moray IJB's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The IJB's control environment, including the policies and procedures implemented by the organisation to ensure compliance with the requirements of the financial reporting framework.

Overview of audit risks

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

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

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

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

Significant risks and Key Audit Matters (1)

Responding to significant financial statement risks

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

Key audit matters

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

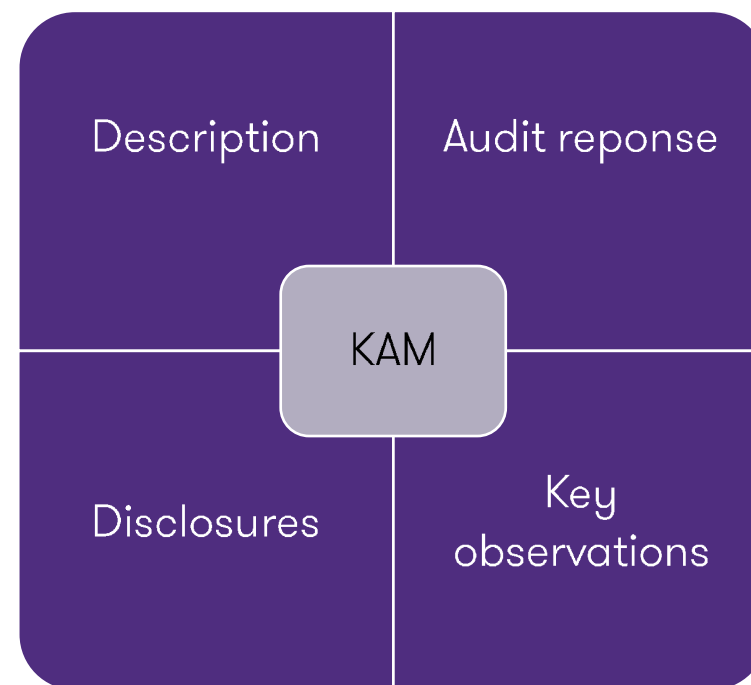
These matters included those that had the greatest effect on:

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

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

Other risks

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



Significant risks and Key Audit Matters (2)

Other significant risks identified in our Audit Plan

Risk 1: Management override of controls

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

Commentary

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

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

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

Our results

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

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

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

Significant risks and Key Audit Matters (3)

Other significant risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions

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

(rebutted)

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

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

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

Our results

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

Risk of fraud in expenditure

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

(rebutted)

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

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

Our results

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

Financial Statements – key judgements and estimates (1)

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

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

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

Other key elements of the financial statements (1)

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

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

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016). No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect. Minor improvements can be made to the Statement, and these have been noted within Appendix 1 .
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. This can be found as a separate item to this report. We have not requested any specific representations in this letter.
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Integration Joint Board meets this criteria, and so we have applied the continued provision of service approach.</p> <p>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities under the Code (1)

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

Other findings – Information Technology

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

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

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

Assessment

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

**Wider scope and best value
conclusions**

Wider scope audit (1)

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

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

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

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion												
Financial management (continued)		<p>Financial Performance</p> <p>The 2022/23 Revenue Budget Report was presented to Moray IJB on 31 March 2022. The budget was set at £155.2 million and included £12.6 million set aside and £4.9 million to support commitments in relation to the Carers Act and ring-fenced investment to support increasing demand. There was excess funding over planned expenditure of £0.2 million and planned savings of £0.110 million included.</p> <p>The final outturn for 2022/23 was £168.8 million, whereby in-year savings of £0.110 million were achieved and included the set aside budget of £13.9 million. Moray IJB core services recorded an overspend of £5.3 million, whilst the Strategic Fund and Other Resources had an underspend in year of £10.0 million, resulting in a total underspend of £4.7 million, which was £0.1 million more than the underspend forecast at quarter three of 2022/23.</p> <p>All revisions to the budget were clearly stated in the finance monitoring reports.</p> <p>The below table illustrates the underspends incurred by the IJB in the previous three years. There is a theme of recurring underspends. It is important the IJB look to ensure that the budget provides a realistic reflection of the anticipated spend for the year. The IJB should ensure there is appropriate challenge and scrutiny of services and the full budget is utilised on an annual basis.</p> <table border="1" data-bbox="618 1129 1491 1249"> <thead> <tr> <th></th> <th>2022/23</th> <th>2021/22</th> <th>2020/21</th> </tr> </thead> <tbody> <tr> <td></td> <td>£m</td> <td>£m</td> <td>£m</td> </tr> <tr> <td>Underspends</td> <td>4.7</td> <td>10.7</td> <td>6.3</td> </tr> </tbody> </table>		2022/23	2021/22	2020/21		£m	£m	£m	Underspends	4.7	10.7	6.3	<p>Overall, we are satisfied that the IJB have appropriate financial management arrangements in place. The IJB has achieved a balanced budget for 2022/23.</p> <p>We have not identified a significant risk in relation to the financial management area.</p>
	2022/23	2021/22	2020/21												
	£m	£m	£m												
Underspends	4.7	10.7	6.3												

Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Financial Sustainability</p> <p>Financial sustainability looks forward to the medium to longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered</p>	<p>Significant risk identified in relation to future financial plans for 2023/24 and beyond</p>	<p>Budgeting</p> <p>Moray IJB has two main sources of funding which is received from NHS Grampian and Moray Council. In recent years, additional investment for health and social care has been provided by the Scottish Government and this is passported through either the local authority or the health board however, this is not constant and cannot be relied upon.</p> <p>Moray IJB undertakes an annual budget process which forms part of the wider medium term strategy process. This includes discussions taking place between management, Moray Council and NHS Grampian regarding funding requirements.</p> <p>The Moray Integration Joint Board Revenue Budget for 2023/24 is £167.648 million which includes £13.466 million set aside services which represents Moray's share of the Large Hospital Services. The total funding provided totals £166.280 million, providing a budget deficit of £1.368 million which is due to be funded from slippage on earmarked reserves to produce a balanced budget.</p>	<p>We have not identified any issues regarding the budgeting arrangements in place at Moray IJB. We consider these arrangements to be effective and appropriate.</p>

Wider scope audit (4)

Wider scope dimension

Plan risk Wider scope audit response and findings

Conclusion

Financial sustainability (continued)

Medium Term Financial Strategy

Moray IJB approved the 2023/24 revenue budget in March 2023 as part of agreeing the wider Medium Term Financial Strategy (MTFS). For 2023/24, a budget deficit of £1.368 million is forecast, with a balanced budget being presented through the use of slippage in earmarked reserves.

The budget setting for 2023/24 includes a savings plan totalling £4.141 million. Meetings between the Chief Officer, Chief Financial Officer and the two Heads of Service, have noted that it has been extremely challenging to identify additional savings to support the 2023/24 budget setting process. From review of board papers, it was noted that the savings being presented will be difficult to deliver but should be achievable.

The funding gap rises to over £11 million by 2027/28. The financial pressures for 2024/25 and beyond are significant, with a £19.6 million funding gap forecast in 2024/25.

	2023/24	2024/25	2025/26	2026/27	2027/28
Estimated Budget Requirement	163,507	168,636	173,830	179,230	184,769
Total Funding	162,139	164,820	167,520	170,377	173,325
Budget Surplus/ (Deficit)	(1,368)	(3,816)	(6,310)	(8,853)	(11,444)

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

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

Reducing the underlying overspend in future years will be challenging and use of reserves is being relied on however, this does not address the fundamental challenge Moray IJB has in delivering future balanced budgets.

To achieve financial sustainability and reduce reliance on useable reserves to bridge funding gaps, the IJB will need to identify and deliver significant savings and transformation to reduce funding gaps and continue to deliver key services and IJB priorities. There is a risk that where savings and transformation plans are not delivered, in the short to medium term this could provide financial sustainability challenges for the IJB.

Wider scope audit (5)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion																								
Financial sustainability (continued)		<p>Reserves</p> <p>Reserves are a key performance indicator of monitoring the financial health of a body. At 31 March 2023, the IJB held £4.683 million of reserves which were fully earmarked. During 2022/23, the IJB utilised £12.338 million of reserves.</p> <p>The IJB has budgeted to utilise £1.368 million of general earmarked reserves in 2023/24 to achieve a balanced budget. This will reduce general earmarked reserves from £4.683 million to £3.315 million by 31 March 2024. The use of reserves to balance the budget should not be relied upon, as this is finite and not a way to create financial sustainability for the IJB. As mentioned above, the IJB will need to prioritise and focus on transformation to ensure that reserves are used for their intended purpose to and not to meet budget gaps.</p> <p>At the 31 March 2023, the IJB general reserves balance is nil which is an insufficient and unsustainable level of reserves. The table below outlines the movement in reserves during 2022/23:</p> <table border="1"> <thead> <tr> <th></th> <th>General Reserves</th> <th>PCIP & Action 15</th> <th>COVID 19</th> <th>Other Earmarked</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>As at 31 March 2022</td> <td>1,257</td> <td>2,331</td> <td>9,016</td> <td>4,417</td> <td>17,021</td> </tr> <tr> <td>Transferred Out</td> <td>(1,257)</td> <td>(1,394)</td> <td>(9,016)</td> <td>(671)</td> <td>(12,338)</td> </tr> <tr> <td>Balance at 31 March 2023</td> <td>-</td> <td>937</td> <td>-</td> <td>3,746</td> <td>4,683</td> </tr> </tbody> </table> <p>A large proportion of the use of reserves (£9.016 million) was in relation to the cessation of Covid 19 expenditure, with the Scottish Government clawing back the balance on the earmarked reserve. This was not specific to Moray IJB and was done across the entirety of Scotland. Traditionally, before COVID 19, Moray IJB did not hold a significant balance within general reserves.</p>		General Reserves	PCIP & Action 15	COVID 19	Other Earmarked	Total	As at 31 March 2022	1,257	2,331	9,016	4,417	17,021	Transferred Out	(1,257)	(1,394)	(9,016)	(671)	(12,338)	Balance at 31 March 2023	-	937	-	3,746	4,683	<p>The continued reliance on reserves is not sustainable and although it helps achieve a balanced budget in 2023/24, the IJB will not have sufficient available earmarked reserves to draw upon in order to meet the 2024/25 funding gap. There is no general reserve balance, and the level of reserves is at an unsustainable level.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>
	General Reserves	PCIP & Action 15	COVID 19	Other Earmarked	Total																						
As at 31 March 2022	1,257	2,331	9,016	4,417	17,021																						
Transferred Out	(1,257)	(1,394)	(9,016)	(671)	(12,338)																						
Balance at 31 March 2023	-	937	-	3,746	4,683																						

Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		<p>Transformation Plans</p> <p>The increase in the cumulative funding gap position in the next five years is significant and outlines serious concerns over the future financial sustainability of the IJB where additional funding is not provided or where the IJB does not operate within its funding allocation. This creates a risk, as Moray IJB will have to balance ensuring that it maintains financial sustainability with ensuring that it continues its service delivery to meet its priorities.</p> <p>To reduce the current funding gap, a major transformation programme will need to be undertaken. The IJB has recognised the fact that it will require transformational redesign to reduce future funding gaps and reshape the organisation to ensure efficient service delivery.</p> <p>Substantial transformation is required to bring about financial sustainability. The size and scale of transformation required to deliver the savings and efficiencies required to close the projected funding gap is unprecedented. It is important that IJB members have oversight of the transformation programme to ensure the savings and efficiencies required to reduce future funding gaps can be delivered.</p>	<p>To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased income and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (7)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Vision, Leadership and Governance</p> <p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>No significant risks identified</p>	<p>Leadership and Committee Effectiveness</p> <p>Moray IJB hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. There are currently three different committees, namely the Board, the Audit, Performance and Risk Committee and the Clinical and Care Governance Committee.</p> <p>The Audit, Performance and Risk Committee undertakes the role of Those Charged with Governance (TCWG) and looks to consider reports and obtain assurance through internal and external audit reports concerning the IJB's functions. The Committee also obtains assurance over performance monitoring and receive reports on the performance of and trends within the IJB's services in terms of service standards and performance information.</p> <p>Monitoring of action plan progress and service performance in key areas is reported to ensure a process of continuous improvement. This allows IJBs with the opportunity to evaluate on strengths and weaknesses and draw any themes arising from results of self evaluations. This allows the implementation of any necessary action plans to support continuous improvement in priority areas and ensure it is demonstrating compliance against the CIPFA Code of Principles for Delivering Good Governance [revised 2016].</p> <p>Governance Statement</p> <p>The Governance Statement details the composition and governance structure of Moray IJB and how that supports the achievement of the organisation's priority themes. From review of the Statement, we are satisfied that it reflects the key findings from audit, scrutiny and inspection.</p>	<p>Our review of attendance of members at Committee meetings has not flagged any issues. We are satisfied that the governance arrangements are appropriate and operate effectively.</p> <p>We conclude that the Audit, Performance and Risk Committee effectively challenge and scrutinize reports presented and ensure effective decision making.</p> <p>Moray IJB publishes minutes of each Committee online, to ensure transparency of decision making.</p> <p>A self-certification exercise was completed to review performance and this was reported to the Board in June 2023.</p> <p>Minor changes were made to the Governance Statements to provide clarification around significant risks and this has been carried to Appendix 1.</p>

Wider scope audit (8)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Risk Management The organisation maintains a strategic risk register which sets out the inherent risks being faced by Moray IJB, together with a current assessment on the level of the risks and mitigating actions being taken to reduce the impact of the risks. This report is presented to the Audit, Performance and Risk Committee for their oversight and comment.</p> <p>Any changes made to the risk register since it was last presented to the Committee are easily identifiable and are highlighted to members. Risk scores are weighted, based on assessment according to their likelihood and corresponding impact. The Strategic Risks were reviewed to ensure their alignment to the Partners in Care 2022-2032 strategic plan which was agreed by the Board on 24 November 2022. There is one significant risk identified by the entity within the register around the risk of financial failure.</p> <p>Internal controls The IJB has in place a range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. The date of approval and adoption by the Board for the Standing Orders was May 2022. The Financial Regulations next review date was March 2020 which is out of date and should be updated.</p> <p>Moray IJB does not have its own separate code of conduct, whistleblowing or fraud policies and follows those set out by the partner organisations.</p>	<p>We are satisfied that the key risks have been identified and that the pace of improvement is appropriate to the risks and challenges facing Moray IJB.</p> <p>The IJB has in place a wide range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. Our review of these policies have found the policies to be relevant and promoted within the organisation however, the standing orders are out of date. We have raised an action plan recommendation in Appendix 3.</p>

Wider scope audit (9)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Internal controls (continued)</p> <p>Internal audit activity is undertaken by the Audit and Risk Manager of Moray Council, who was appointed as the Chief Internal Auditor of Moray IJB in 2022, for a period of two years to 31 March 2024.</p> <p>Internal audit undertook several reviews during the financial year including a review of data management between the Council and its care providers including NHS Grampian, a review of creditor payments made by Moray Council under the direction of the IJB and how information relating to social care service users is managed on the Moray Council system. This resulted in an overall assurance opinion for the 2022/23 financial year of limited assurance. The internal audit opinion notes that “<i>can only provide limited assurance that the Moray Integration Joint Board has adequate systems of governance and internal control</i>”. Fundamentally, there are weaknesses in the framework of governance, risk management and control and there is a risk it could become inadequate and ineffective.</p> <p>The Audit, Performance and Risk Committee received quarterly audit and inspection reports from internal audit which outlined the work undertaken in each quarter alongside any follow up audits and the results of the audits. This provides Audit, Performance and Risk Committee members the opportunity to gain assurance that internal controls are operating as expected.</p> <p>From our review of internal audit reports and Audit, Performance and Risk Committee reports, we have not identified any evidence of significant gaps in the assurance obtained by the Audit, Performance and Risk Committee in relation to the work programme undertaken.</p> <p>A review of Adult Social Care Commissioning Services was undertaken by KPMG which had been requested by the Audit, Performance and Risk Committee on 31 March 2022. The need for the review was highlighted due to concerns raised by senior management of Health & Social Care Moray regarding administrative arrangements within the Commissioning Service, and the findings from a peer review report in January 2022. The audit report by KPMG has detailed 11 key findings relating to governance, roles and responsibilities, strategy/processes and contract management with all recommendations being accepted by management.</p>	<p>The IJB have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls.</p>

Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>We noted that a number of the recommendations across various audits are still to be implemented, requiring revised dates of implementation to be agreed within the IJB. The Service has detailed that staff shortages have resulted in delays in implementing some of these recommendations however, there is a risk should these not be actioned on a timely basis by management within the IJB.</p> <p>It is of vital importance to Moray IJB that audit recommendations and specifically high rated recommendations are actioned on a timely basis to ensure the risks outlined within each audit recommendation do not come into fruition resulting in operational and reputational damage. There are several high recommendations whereby the implementation date keeps being updated for example, from the self directed support financial review, there were six high recommendations, of which two have been implemented and four are outstanding. The four outstanding recommendations had initially implementation dates of late 2021 and early 2022.</p> <p>From review of Audit, Performance and Risk Committee papers, internal audit reporting is heavily based on activities within Moray Council however, NHS Grampian's internal auditors prepare reports that are also relevant to Moray IJB. At present, there are existing links with NHS Grampian internal audit function however, Moray IJB should look to strengthen the reporting of NHS Grampian's internal audit results within the IJB where relevant to provide oversight to members and to provide a complete picture of both organisations.</p>	<p>We noted that audit recommendations are not implemented timely and dates of implementation are regularly changed. We have raised an action plan recommendation in Appendix 3.</p> <p>To ensure oversight of NHS Grampian internal audit reports, reporting to the Audit, Performance and Risk Committee needs to be strengthened. An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Use of Resources</p> <p>Bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness with financial and other resources and reporting performance against outcomes.</p>	<p>No significant risks identified.</p>	<p>Strategic Plan and Performance Reporting</p> <p>The strategic plan has three strategic themes; building resilience, home first and partners in care. Underpinning these themes are several objectives which detail how Moray IJB will achieve each objective.</p> <p>A performance report is published annually which outlines the IJB’s annual performance against the strategic priorities of the Health and Social Care Partnership and evidencing some of the key achievements and challenges faced by the IJB. Additionally, performance in relation to the key strategic performance indicators is reviewed alongside the IJB’s performance in relation to the Scottish Government’s core suite of national integration indicators which allows comparisons to be made over time and against Scotland as a whole.</p> <p>Our review of the most recent 2022/23 annual performance report highlights that out of 11 indicators, three were showing as green and on target, seven indicators were showing as amber (performing worse than target but within agreed tolerance) and one showing as red (performing worse than target by more than agreed tolerance). The red indicator related to the rate of emergency occupied bed days for over 65s per 1000 population which increased from 2,140 to 2,749 which exceeded the target of 2,037. Within the Q1 2023/24 Performance Report, slight improvement has been made, with the indicator reducing to 2,699. Other indicators have either been stable year on year or improved but still fall out with the agreed tolerance.</p>	<p>Moray faces the challenge of an increasing older population with a decline in working age population, staff recruitment challenges and lack of available accommodation against a backdrop of significant financial challenge. Adult social care is widely publicised as being under pressure in all local government authorities, so this issue is not specific to Moray IJB. The IJB will need to ensure that it is able to continue to deliver safe and effective adult services considering the challenging financial background faced alongside a growing aging demographic. This will require wider transformation of the IJB which is outlined within the Financial Sustainability section of this report.</p> <p>We have obtained assurance that appropriate performance monitoring and reporting arrangements are in place at the IJB, and where indicators are worsening, the IJB then agree upon actions that need to be taken to improve performance.</p>

Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		<p>Stakeholder Engagement</p> <p>Health & Social Care Moray is committed to ensuring the people of Moray are at the heart of the services being delivered so individuals get the right care and support whatever their needs, at the right time and in the right setting at any point in their care journey. To do this, Moray IJB engages with the people who are supported by its services, their unpaid carers, those who deliver the service and those who may have an interest, in order to inform how they can be improved.</p> <p>On the Moray IJB website, there is a specific section for current engagements whereby members of the public and staff can convey their views on specific items to ensure their views are represented in service change (for example, the Moray Carers Strategy 2023-2026). In this consultation, the IJB offered various ways in which members of the public could provide responses, including via SurveyMonkey and in writing, thus, catering for all ages to maximise responses.</p>	<p>We have noted good practice in relation to the community stakeholder engagement whereby the IJB ensure stakeholders are engaged in helping form new strategies, which has helped drive IJB priorities for the future.</p> <p>We have not identified a significant risk in relation to the use of resources to improve outcomes area.</p>

Wider scope audit (13)

	Plan risk	Conclusion
Other wider scope areas	We did not identify any specific risks in relation to climate change at Moray Integration Joint Board.	<p data-bbox="506 331 734 363">Climate Change</p> <p data-bbox="506 368 2143 507">We have considered six specified questions related to climate change, as mandated by Audit Scotland. We are also required to submit a questionnaire to Audit Scotland responding to the questions by the reporting deadline. We have not identified any significant risks in respect to climate change. Moray IJB does not have its own separate climate change arrangements but rather follows those set out by the partner organisations.</p> <p data-bbox="506 544 2143 715">As part of Moray Council's commitment to climate change mitigation, Moray Council introduced its Climate Change Strategy in 2020 which, together with the Local Development Plan, is designed to provide a co-ordinated and appropriate response to help all within Moray to deal with the challenges that climate change is expected to bring. On the 27 June 2019, Moray Council declared a Climate Change Emergency. It was agreed that a Climate Change Strategy and action plan would be prepared and adopted with the aim of Moray Council becoming carbon neutral by 2030.</p> <p data-bbox="506 751 2143 927">NHS Grampian's "Climate Emergency and Sustainability Strategy: Reimagining the Health Service for People and Planet" sets out four outcomes on delivering net-zero, greener health systems, greening places/communities and developing wider collaborating across local and national systems. This strategy includes the corporate emission reduction target of NHS Grampian being net zero by 2040. A delivery plan is currently in development, which we understand will incorporate interim and overall targets, tracking progress over time.</p> <p data-bbox="506 963 2143 1209">Within the IJB, there are appropriate arrangements in place for internal monitoring and progress is reported externally via the annual climate change report submitted to the Sustainable Scotland Network. Within its narrative reporting which accompanies the financial statements, Moray IJB include limited reporting in relation to climate change and environmental matters. The Financial Reporting Council completed a thematic review of climate change related consideration explaining the general requirements of the IFRS, providing a clear framework for incorporating the risks of climate change into financial reporting and although this review focused on companies, the principles can be applied to public sector bodies. We have raised a recommendation within Appendix 3.</p> <p data-bbox="506 1246 2143 1321">The IJB has considered the impact of climate change on its financial statements and have concluded that it is unlikely to have a material impact.</p> <p data-bbox="506 1358 1496 1386">We are satisfied that there is no significant risk in relation to climate change.</p>

Wider scope audit (14)

	Plan risk	Conclusion
Other wider scope areas	We did not identify any specific risks in relation to cyber security at Moray Council and NHS Grampian.	<p>Cyber Security</p> <p>We have considered risks related to cyber security at Moray Council and NHS Grampian during our audit of Moray Integration Joint Board's financial statements in line with the guidance issued by Audit Scotland's Digital Audit team. We have not identified any significant issues in relation to cyber security or the arrangements in place at the Council or the NHS body in relation to cyber security. Note that our judgement is based on our IT general work performed on the arrangements in place, but this does not involve detailed testing of system penetration controls.</p> <p>In our Audit Plan, we reported that on 4 August 2022, One Advance (the supplier of eFinancials) was hit by a ransomware attack. They provide outsourced hosting services to a number of audit bodies. This issue impacted both financial and non-financial systems. In response to this risk, we made inquiries to ascertain whether NHS Grampian was affected by these events. Our inquiries confirmed that NHS Grampian was not affected by this attack. Additionally, at NHS Grampian, our key findings are as follows:</p> <ul style="list-style-type: none"> - An initial Network and Information Systems (NIS) Regulations Audits of NHS Grampian in 2020 found overall compliance of 30%. A follow up review in 2021 highlighted significant progress implementing them, with an increase of overall compliance to 60%. This follow up report was received by the Audit and Risk Committee in June 2022. - During 2022/23, internal audit reviewed NHS Grampian's ransomware which resulted in four high risk findings and a critical rated report. <p>We are satisfied that there is no significant risk in relation to cyber security. Management at NHS Grampian are aware of the issues raised within the internal audit report and are addressing these.</p>

Best Value

Best Value audit response and findings

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

In the prior year, an external audit recommendation was raised in which Moray IJB agreed action was to undertake a review of Best Value to demonstrate how this is delivered. At planning and outlined within our audit plan, this review had slipped and was due to be reported later in the year. We have followed this up at year-end and note that this review was completed and reported to the Committee on 28th September 2023 (see Appendix 4).

As part of our wider scope work, we have raised an audit recommendation in relation to the follow up of internal audit reports (see Action Plan Point 4 in Appendix 3) however, a reporting mechanism should also be introduced to Audit, Performance and Risk Committee to ensure external audit recommendations are implemented and monitored for completion. **An action plan recommendation has been raised in Appendix 3.**

Although the new Code suggested that Controller reports would be required for IJBs, this is no longer applicable in light of the anticipated plans for the National Care Service. At a national level, there is a proposal to reform the social care system in Scotland (the National Care Service). As part of the proposal, the Scottish Government has outlined plans to create a new national body responsible for overseeing the delivery of social care services. This body would work closely with IJBs to ensure that services are delivered in a co-ordinated and efficient manner. Further details of how IJBs will fit into the proposed system has not yet been fully communicated however, will impact Moray IJB in future years.

Appendices

1. Audit Adjustments (1)

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

Impact of adjusted misstatements

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

Impact of 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 one unadjusted misstatement in the 2021/22 financial statements. The Scottish Government decided in December 2022 that Moray IJB was responsible to fund the accumulated costs of an out of area placement which was estimated to total £0.7 million to 31 March 2022. As a result, the surplus on provision of services and reserves were overstated by £0.7 million at the 31 March 2022.

Moray IJB accrued for this balance within the 2022/23 financial statements, and this is expected to be settled during the 2023/24 financial year.

1. Audit Adjustments (2)

Misclassification and disclosure changes

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

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

Disclosure	Comments	Adjusted?
Review of Annual Report and Accounts (General)	We identified a number of minor casting errors, figures which had not yet been included and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	Yes
Other Information	We have identified a number of minor amendments required to be made to the annual report to ensure it is consistent with the financial statements. These have been amended by management but do not warrant separate reporting.	Yes
Management Commentary – Budget v Analysis Summary Table	In the first draft of the annual report, the table did not reconcile to the financial statements as the set aside was not included. As such, the table was subsequently updated to add in extra analysis to reconcile to the financial statement values.	Yes
Remuneration Report	In the first draft, there were no prior year comparative figures for the previous Chief Financial Officer (CFO), as required by IAS 1 and no note confirming the individuals date of departure. The Officers' Remuneration and Pensions notes were subsequently updated to include the 2021/22 comparatives for the previous CFO and a note added to confirm employment dates.	Yes
Annual Governance Statement	Minor improvements can be made to the Annual Governance Statement including: <ul style="list-style-type: none"> • Providing additional signposting within the Statement to draw out the conclusions being made; • A note to confirm if any of the issues raised in the Statement have been determined to be significant; and • Confirmation within the Statement that the issues are to the date of the audit opinion and signing. 	No

1. Audit Adjustments (3)

Disclosure	Comments	Adjusted?
Note 2 - Critical Estimates and Judgements	<p>International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates.</p> <p>Significant estimates relate to assumptions and estimate at 31 March that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Judgements relates to areas that aren't significant estimates. In the draft accounts, management have combined critical estimate and judgements, these should be separated.</p> <p>The annual accounts were updated to note that there was no areas of significant estimation uncertainty.</p>	Partly
Note 3 - Events after the Reporting Period	This note was updated as expected to bring it up to date to the signing of the financial statements	Yes
Note 7 - Usable Reserve: General Fund	<p>The total for Transfers (out)/in in 2021/22 was incorrectly calculated and did not impact on the totals of the table. The first draft totalled £11.020 million and was subsequently updated to £10.679 million.</p> <p>Additional disclosures were added to explain the significant movements within the reserves balance during the year.</p>	Yes

2. Action plan and recommendations – Financial statements audit (1)

We have identified two recommendations for Moray IJB during our audit of the financial statements for the year ended 31 March 2023. We have agreed our recommendations with management and will report on progress on these recommendations during our 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	<p>Performance Report</p> <p>The Performance Report section of the Annual Report and Accounts could be presented in a more user friendly manner to convey key performance information as there is a risk that the impact and key messages will be lost within the detail.</p>	<p>Management should review the format of the Performance Report and content to ensure it is succinct, focuses on the IJB's performance and outcomes, and supports the user of the financial statements to understand the IJB's purpose and achievements in year.</p> <p>Management response: Will review the content for the 23/24 accounts</p> <p>Responsible Officer: Chief Finance Officer</p> <p>Implementation Date: 31.3.24</p>
Low	<p>Related Parties</p> <p>From review of the registers of interests on the Moray IJB website, we noted that these are out of date (last updated in 2021) although as part of our work, we received the registers of interest as at March 2023. Additionally, registers of interests were not requested by management for interim members.</p>	<p>Management should ensure the updated annual registers of interest are uploaded on a timely basis to the IJB website for transparency of decision making. Annual registers of interests should be completed for all voting, co-opted and post-holding members.</p> <p>Management response: Website will be updated and interim members included</p> <p>Responsible Officer: Corporate Manager/ Chief Finance Officer</p> <p>Implementation Date: 31.3.24</p>

Controls

- High – Significant effect on financial
- Medium – Limited effect on financial statements
- Low – Best practice

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

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation	Agreed management response/Officer/Date
<p>1. Financial Sustainability - Reserves</p> <p>There is a risk that continued reliance on reserves to bridge funding gaps will create financial sustainability issues for the IJB.</p> <p>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.</p>	<p>Management response: Use of reserves was a 1 off for 2023/24, savings and transformation will have to be used from 24/25 onwards.</p> <p>Responsible Officer: Chief Finance Officer</p> <p>Implementation Date: 31.3.24</p>
<p>2. Financial Sustainability - Transformation</p> <p>The IJB has not yet identified the savings and efficiencies required in order to eliminate the large funding gap predicted for 2024/25 and beyond.</p> <p>Recommendation: A depth of pace will need to be undertaken on the transformation programme to ensure the IJB can bridge the significant funding gap in a short space of time, to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved. To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased productivity and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.</p>	<p>Management response: Work is currently underway to identify additional areas for savings/efficiencies. This is being done in conjunction with both partners.</p> <p>Responsible Officer: Heads of Service</p> <p>Implementation Date: 31.3.24</p>

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

Recommendation

3. Vision, Leadership and Governance – Financial Regulations

Moray IJB's Financial Regulations next review date was set for March 2020 and is therefore, out of date and there is a risk that procedures are no longer relevant or appropriate.

Recommendation

Moray IJB should review the Financial Regulations and update as appropriate. These should be brought to the relevant Committee for approval.

Agreed management response/Officer/Date

Management response:

Moray IJB was waiting on the Council financial regulations to be updated which has now been completed and the MIJB will be updated for the Next Committee in November 2023.

Responsible Officer: Chief Finance Officer

Implementation Date: 30.11.23

4. Vision, Leadership and Governance – Internal Audit

There is a risk that audit recommendations are not implemented timely and with dates of implementation regularly changed, the risks outlined within each audit recommendation come into fruition resulting in organisation and reputational damage.

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.

Management response:

Agreed, areas of audit will be discussed with Senior Managers before dates are agreed and will ensure the dates are realistic and achievable going forward.

Responsible Officer: Heads of Service

Implementation Date: 31.3.24

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

Recommendation

5. Climate Change Reporting

There are currently no specific disclosure requirements on climate change and environmental matters. However, public bodies should be including climate change in their consideration of principal risks and making disclosures accordingly. Narrative reporting requirements and expectations should relate to both the body's impact on the environment, and the impact climate change may have on the body's future. The Financial Reporting Council completed a thematic review of climate change-related considerations explaining the general requirements of IFRS providing a clear framework for incorporating the risks of climate change into financial reporting and although this review focused on companies, the principles can be applied to public sector bodies.

Recommendation

Moray IJB should review their current disclosures to ensure that their narrative reporting adequately reflects their exposure to climate-related issues and how they are monitoring and managing these risks.

6. Best Value – External Audit Action Log

There is a risk without a sufficient mechanism to track the progress being made against external audit recommendations, actions may be missed and not monitored for completion.

Recommendation

Moray IJB should create a mechanism to monitor progress against external audit recommendations and the report should be brought to the relevant Committee on a regular basis to ensure scrutiny and challenge by members.

Agreed management response/Officer/Date

Management response:

Work is on going in this area and will be developed.

Responsible Officer: Corporate Manager

Implementation Date: 31.3.24

Management response:

Can put on agenda for Audit Performance and Risk committee 6 monthly.

Responsible Officer: Chief Finance Officer

Implementation Date: 31.3.24

4. Progress against prior year recommendations (1)

Progress against prior year audit recommendations

The predecessor auditor identified the following issues in their 2021/22 audit of Moray IJB's financial statements and their wider scope work. This resulted in two recommendations being reported in their 2021/22 Annual Audit Report.

See below the follow up on the implementation of these prior year recommendations and an assessment of the progress and whether any are not yet implemented.

For the two recommendations made by the predecessor auditor, both have been actioned within the year and have been closed.

Recommendation	Management Update	Auditor conclusion
<p>1. Audit, Performance and Risk Committee</p> <p>CIPFA recommends that Audit Committees report annually on their performance to those charged with governance. CIPFA's good practice guide includes a checklist for audit committees to use as part of their assessment of performance. The IJB's Audit, Performance and Risk Committee has yet to assess its performance.</p> <p>Risk: the Audit, Performance and Risk Committee is not complying with good practice and cannot evidence its effectiveness.</p>	<p>Planning: Due to changes in staff, this has been delayed but will be incorporated into this year-end and the revised date should be achieved.</p> <p>Year-End Update: This self certification was completed and reported to MIJB 29/6/23</p>	Closed

4. Progress against prior year recommendations (2)

Recommendation	Management Update	Auditor conclusion
<p>2. Self-Evaluation Exercise A self-evaluation exercise was undertaken and presented to the Board in June 2019. It included 11 areas for improvement, including the need to ‘develop better processes to evaluate and measure outcomes in line with Best Value’. There has been no update provided to the Board on the progress against implementing these areas for improvement.</p> <p>Risk: the IJB is unable to demonstrate how it delivers Best Value.</p>	<p>Planning: Review of Best Value has slipped and will be due to be reported to Committee in May 2023.</p> <p>Year-End Update: This was carried out and reported to Committee on 28/9/23</p>	<p>Closed</p>

5. Audit fees, ethics and independence (1)

Independence and ethics

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

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

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

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

5. Audit fees, ethics and independence (2)

Fees and non-audit services

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

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

External Audit Fee

Service	Audit Plan £	Annual Audit Report £
External Auditor Remuneration	£33,000	£33,000
Contribution to Audit Scotland support costs	£1,250	£1,250
Contribution to Performance Audit and Best Value	£6,280	£6,280
Sectoral Cap Adjustment	(£9,060)	(£9,060)
2022/23 Audit Fee	£31,470	£31,470

Fees for other services

Service	Fees £
We confirm that for 2022/23, we did not receive any fees for non-audit services	Nil

5. Audit fees, ethics and independence (3)

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

- Fees per financial statements	£30
- Rebate within the financial statements	£1
- Total fees per above	£31

Client service

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

Transparency

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

6. Communication of audit matters

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

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

