

Shetland Islands Integration Joint Board

2024/25 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Shetland Islands Integration Joint Board and the Controller of Audit
November 2025

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Key messages

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 Presentational changes were made to the Comprehensive Income and Expenditure Statement in the annual accounts to expand the analysis of reported expenditure.

Wider scope and Best Value audit

- 3 Shetland Islands IJB reported an overspend of £2.524 million (£7.432 million overspend 2023/24) against the budgeted breakeven position. Additional funding was received from NHS Shetland to cover this overspend.
 - 4 Financial management arrangements are effective, but the cost of locum and agency staff continues to impact on delivery against budget.
 - 5 Financial sustainability continues to be a significant issue for Shetland Islands IJB. The medium-term financial forecast predicts a cumulative deficit of £19.889 million between 2025/26 and 2029/30. A step-change is required through service redesign and transformation to achieve financial sustainability going forward.
 - 6 Governance arrangements remain appropriate and support effective scrutiny, challenge and decision making.
 - 7 Shetland Islands IJB has appropriate arrangements for managing and reporting performance.
 - 8 Appropriate arrangements remain in place to secure Best Value.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the IJB's annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).
2. The Annual Audit Report is addressed to Shetland Islands Integration Joint Board, hereafter referred to as 'the IJB', and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Rachel Browne, of Audit Scotland, has been appointed as external auditor of the IJB for the period from 2023/24 until 2026/27. As reported in the Annual Audit Plan, Rachel Browne as engagement lead and the audit team are independent of the IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the IJB, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the IJB and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the IJB's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the IJB's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the IJB and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the IJB's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the IJB from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

Shetland Islands IJB's responsibilities

10. The IJB has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the IJB that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the IJB and the IJB audit committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

Presentational changes were made to the Comprehensive Income and Expenditure Statement in the annual accounts to expand the analysis of reported expenditure.

Audit opinions on the annual accounts

12. The IJB's annual accounts were approved by the Board on 12 November 2025 and certified by the appointed auditor on the same date. The Independent Auditor's Report is included in the IJB's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual accounts and all working papers were received on 30 June 2025 in accordance with the agreed audit timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £34,000. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

15. Materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of the IJB were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts.

Exhibit 1
2024/25 Materiality levels for Shetland Islands IJB

Materiality	Amount
Materiality – set at 2 per cent of gross expenditure	£1.55 million
Performance materiality – set at 65 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£1 million
Reporting threshold – set at 5 per cent of materiality. We are required to report to those charged with governance on all unadjusted misstatements greater than the reporting threshold amount.	£75 thousand

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the IJB is the Audit Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. Our audit work identified one significant matter, which is outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
Presentational change of the CIES Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance states that, in line with Accounting Code of Practice requirements, the Comprehensive Income and Expenditure Statement (CIES) in the accounts should present information based on operating segments, in line with management reporting. Financial reports presented to the IJB during the year reported 25 discrete areas of activity, however the unaudited annual accounts of the IJB only reported expenditure at partner body level i.e. health services, social care services and corporate services. Following a review of disclosures in similar bodies and best practice guidance, we determined that the analysis of CIES expenditure should be expanded to better demonstrate to readers of the accounts how public funds are being used.	Management made changes to the CIES in the audited annual accounts to expand the segmental analysis of spend over key areas of activity. This had no impact on the underlying figures but has changed the presentation of this primary financial statement in the IJB annual accounts.

Source: Audit Scotland

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the IJB's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by the IJB was assessed as part of the audit. These were considered to be appropriate to the circumstances of the IJB, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

24. Audit work considered the process management of the IJB has in place around making accounting estimates, including assumptions and data used in making estimates. We determined that management do not rely on significant accounting estimates.

Significant matters discussed with management

25. All significant matters identified during the audit and discussed with the IJB's management have been reported in the Annual Audit Report.

Audit adjustments

26. No audit adjustments above our reporting threshold were required to the financial statements.

Significant risks of material misstatement identified in the Annual Audit Plan

27. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant risks of material misstatement to the financial statements

Risk	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Agree balances and income and expenditure to Shetland Islands Council and NHS Shetland's financial reports, ledgers and correspondence. • Obtain assurances from the auditors of Shetland Islands Council and NHS Shetland to ensure completeness, accuracy and allocation of income and expenditure. • Review financial monitoring reports during the year. • Review year end consolidation of expenditure reports from Shetland Islands Council and NHS Shetland and examine any significant consolidation adjustments.	Audit work performed found: • Income and expenditure figures agreed between the IJB and both partner organisations. • Assurances were obtained from the external auditors of NHS Shetland and Shetland Islands Council. No control issues were identified that would significantly affect the IJB annual accounts. • Ongoing review of financial monitoring reports found no issues. • Year end consolidation was satisfactory with no unexplained consolidation adjustments. Conclusion: no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Prior year recommendations

28. The IJB has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the IJB and are outlined in [Appendix 1](#).

Wider scope and Best Value audit

Audit approach to wider scope and Best Value

Wider scope

29. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

30. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the IJB has in place for each of these is reported in this chapter.

Significant wider scope and Best Value risks

31. Audit work has been performed in response to the significant wider scope and Best Value risk identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4

Significant wider scope and Best Value risk

Significant risk	Planned audit response	Outcome of audit work
Financial planning and sustainability The IJB has been struggling to provide services within agreed budget limits in recent years. Based on the medium-term financial plan (MTFP)	The audit team will: • Review the IJB's financial plan and assess the appropriateness of assumptions made. • Assess whether the financial plan is aligned to the Strategic Plan and the IJB's priorities.	Audit work performed found: • The MTFP considered a range of internal and external factors. The assumptions applied were considered reasonable. • There was no breakdown of funding allocation in the MTFP. Therefore, it was not possible to conclude on alignment to IJB strategy.

Significant risk	Planned audit response	Outcome of audit work
this is a trend which is set to continue. There is a risk that without sufficient action to deliver savings and transform services, the IJB will not be financially sustainable.	- Assess the IJB's identification and delivery of recurrent savings. - Review wider organisational plans and assess whether there is sufficient identification and implementation of service re-design.	- The MTFP does not include an analysis of anticipated savings delivery in future years. Management noted this remains a work in progress. The IJB's annual financial plan did include NHS budgeted savings, but no savings plans for services provided by the council. - From review of the joint strategic plan 2025-28, there is some mention of service re-design. However, the plans are not clear or well developed. Conclusion: The MTFP has identified a significant issue in financial sustainability for the IJB. However, there is insufficient information in the plan regarding service re-design or saving delivery across partners to demonstrate how this is being addressed. There is also no detailed breakdown of funding within the plan to show how financial and strategic plans are aligned. See Recommendation 2 in Appendix 1

Source: Audit Scotland

Financial management and sustainability

Conclusion

The IJB reported an overspend of £2.524 million (£7.432 million overspend 2023/24) against the budgeted breakeven position. Additional funding was received from NHS Shetland to cover this overspend.

Financial management arrangements are effective, but the cost of locum and agency staff continues to impact on delivery against budget.

Financial sustainability continues to be a significant issue for the IJB. The medium-term financial forecast is predicting a cumulative deficit of £19.889 million between 2025/26 and 2029/30. A step-change is required through service redesign and transformation to achieve financial sustainability going forward.

Financial management arrangements are effective, but the cost of locum and agency staff continues to impact on delivery against budget.

32. The IJB reported an overspend of £2.524 million (£7.432 million overspend 2023/24) against the budgeted breakeven position. The overspend was incurred on services commissioned from NHS Shetland and the health board provided additional funding to the IJB to cover the overspend. The IJB annual accounts report a £0.061 million deficit for the year, which reduced reserves to £0.887 million as at 31 March 2025.

33. The key driver for the overspend continues to be temporary staff costs which totalled £7.895 million (£12.185 million, 2023/24). Net savings were delivered against this through unfilled posts and other staffing underspends. The IJB's established budgeting process assumes no temporary staff requirements as management do not want this additional cost to be a standard expectation of services. However, existing workforce challenges in Shetland's health and care sectors mean the use of agency and locum staff is expected to continue and will continue to negatively impact outturn against budget in future years.

34. Workforce plans for both partner bodies remain in development. In 2022/23 we recommended the IJB reviews the impact of workforce plans at partner bodies on potential service delivery of commissioned services (see [Appendix 1, PY recommendation 5](#)). While progress has been made by partners in developing these plans, they have still to be finalised. These plans will impact the financial management and sustainability of the IJB.

35. The audit work performed on the arrangements the IJB has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the IJB and its partners:

- having systems of internal control in place that are operating effectively and have no significant weaknesses or deficiencies.
- having clear and up-to-date policies and procedures, for example, financial regulations and schemes of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).

- having suitably qualified and experienced staff leading the finance functions, which have sufficient skills, capacity, and capability to effectively fulfil their roles.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by their respective audit committees and Boards.

The 2025-30 medium-term financial plan highlights the scale of financial challenge facing the IJB, but savings proposals to address this are limited.

36. The medium-term financial plan for 2025-30 was presented to the Integration Joint Board in March 2025, alongside the 2025/26 budget. The plan identifies a cumulative financial deficit of £4.96 million by 2030, excluding the impact of temporary staffing on the financial budget. The gap increases to £19.89 million once estimates of agency and locum staff costs, based on existing vacancy levels, are factored in. The plan includes a high-level review of actions to reduce reliance on agency staff but lacks detailed savings plans and costings across commissioned services that aligned to these actions.

37. IJB funding received from the NHS includes an annual savings target of £107,000 for 2025/26. This is a significant reduction on prior year targets, due to amendments in the calculation. Current NHS Shetland savings proposals have identified £1.653 million in IJB related savings, of which £46,000 is recurring. The proposals have been analysed for risk of non-delivery and are well developed for the following year.

38. On the council side, the MTFP assumes no savings targets built into the funding position. However, the council continues to face a challenging financial position, with an estimated £9.346 million of council reserves being used to support the provision of IJB services in 2025/26. Senior management at Shetland Islands Council have been charged with developing service redesign initiatives that will impact on future years. As these proposals are developed, the savings targets will be incorporated into future projections in the MTFP.

39. The medium-term financial plan also lacks detail of how expenditure is predicted to be incurred at a service level. Presently, the plan shows costs at a partner body level but lacks detail on how funding will be allocated across services in the medium term, and how this aligns with the strategic aims of the IJB.

Recommendation 1

The IJB needs to use its strategic commissioning role to work with partners, other service providers, and service users to accelerate service redesign and transformation to provide sustainable integrated care.

Recommendation 2

The IJB's medium term financial plan should include more detailed analysis of expenditure forecasts and of savings proposals to assist strategic decision making and demonstrate progress towards financial sustainability.

Vision, Leadership and Governance

Conclusion

Governance arrangements remain appropriate and support effective scrutiny, challenge and decision making.

40. The IJB met nine times and the audit committee four times during 2024/25. Meetings were held in-person, with an element of hybrid attendance. Our observations of committee and board meetings highlighted these were conducted in a professional manner, with a good level of scrutiny and challenge by members.

41. The latest 3-year joint strategic plan 2025-28 has been developed in conjunction with partner strategies and informed by consultation with relevant external stakeholders. While the activities and objectives in the plan are aligned, there is scope to improve the definition of measures, targets and milestones for delivery of objectives. At present, outcomes are generic which makes progress and success difficult to define, measure and demonstrate.

42. Audit review found that governance arrangements, including those in relation to the prevention and detection of fraud, error, bribery and corruption, were in place and effective. Assurances provided by the external auditors of NHS Shetland and Shetland Islands Council concluded there were effective governance arrangements in place at the statutory partner bodies.

Use of Resources to Improve Outcomes

Conclusion

The IJB has appropriate arrangements for managing and reporting performance.

43. The audit work performed on the arrangements the IJB has in place around its use of resources to improve outcomes found that these were effective and appropriate. This judgement is evidenced by the IJB:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

44. The IJB produced its 2024/25 annual performance report in June 2025, in line with statutory requirements. This report sets out the IJB's progress in meeting the nine national health and wellbeing outcomes. Eighteen indicators are reviewed by the IJB: nine on an annual basis and nine on a two-yearly basis as this national information is only available every two years.

45. National indicators 1-9 are reported every 2 years. Performance against all these indicators based on 2023/24 data was better than the Scottish average.

46. In 2024/25, performance against national indicators remained above the Scottish average with the exception of national indicator 19, delayed discharges. Management noted this was due to system-wide challenges in social care capacity and availability, along with growing complexity of need with an increasingly older population.

47. Sixteen of the eighteen indicators had comparable data. This showed that performance had worsened year on year in four areas, improved in thirteen and remained the same in one. The review of performance in the annual accounts shows that consideration has been given to these areas and ideas presented for improvement.

Conclusions on Best Value

Appropriate arrangements remain in place to secure Best Value.

48. The Local Government (Scotland) Act 2003 places a duty on Local Government bodies to secure Best Value. As Integration Joint Boards are local government bodies under section 106 of the Local Government (Scotland) Act 1973, IJBs have the same statutory duty to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

49. As noted elsewhere in this report, we concluded the IJB has appropriate processes for monitoring financial and non-financial performance with reports presented regularly to the Integration Joint Board. The IJB also undertakes a process of self-review, with an annual self-assessment undertaken and reported back through the Board. The publication of the 2023/24 review was delayed slightly until June 2025; however, management intends to report back on the 2024/25 assessment by the end of 2025. We will assess this as part of our 2025/26 audit work on Best Value and include relevant commentary in our annual audit report.

50. Alongside the annual self-assessment exercise, the IJB undertakes a two-yearly skills review of members. This aims to provide better focus on the training programme for members to assist them in performing their role effectively. Thirteen of the seventeen board members completed the previous survey in 2023/24, however only two of these were voting members. The next skills review is scheduled for 2026.

Recommendation 3

The IJB should take steps to increase member engagement in the skills review exercise, to better inform future training programmes and support members in undertaking their roles. This should include voting and non-voting members.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Service redesign and transformation The IJB's medium-term financial plan identifies a cumulative funding gap of £19.89 million over the next 5 years. The MTFP includes saving targets for NHS commissioned services, although these remain modest compared to the scale of financial challenges. There are no detailed savings targets and plans for council commissioned services. Risk – Delivery of specified services is unachievable with existing resources.	The IJB needs to use its strategic commissioning role to work with partners, other service providers, and service users to accelerate service redesign and transformation to provide sustainable integrated care.	Accepted Management recognise the need for accelerated service redesign and transformation to ensure sustainable integrated care. However, this cannot be achieved in the short-medium term given the scale of the financial challenge and the complexity of service delivery. Continuous development of savings and cost reduction schemes will remain a priority, and progress will be monitored and reported to the IJB on a regular basis. This approach will allow us to implement changes in a phased and manageable way while maintaining service quality and safety. Next milestone for assessment progress will be around development of proposals to support the 2026/27 budget and MTFP update. Responsible officer Chief Financial Officer Agreed date 31 March 2026
2. Medium-term financial plan The 2024/25 medium-term financial plan does not provide	The IJB's medium term financial plan should include more detailed analysis of expenditure	Accepted Management have agreed to review potential savings with partner bodies, with the aim

sufficient detail on expenditure to assess whether it aligned with other strategic plans of the IJB. Risk- Without adequate information within the medium-term financial plan, those charged with governance are unable to make informed decisions regarding financial sustainability and strategic delivery.	forecasts and of savings proposals to assist strategic decision making and demonstrate progress towards financial sustainability.	to include further detail on these within the next medium term financial plan. Management have also agreed to break expenditure into segments. Responsible officer Chief Financial Officer Agreed date 31 March 2026
3. Engagement with two-yearly skills review The most recent biennial skills review was completed in 2023/24. From review of responses, only two of the six voting members took part in the exercise to identify potential training needs for the IJB. Risk- There is a risk that if there is insufficient engagement with the process, then training needs will not be identified. This will inhibit the ability of the members to perform their role.	The IJB should take steps to increase member engagement in the skills review exercise, to better inform future training programmes and support members in undertaking their roles. This should include voting and non-voting members.	Accepted The IJB, via the Chair and Chief Officer will ensure sufficient notice of, and sufficient time for the skills audit to be undertaken, to ensure that voting members have necessary time to complete, and will engage with members prior to the skills audit being undertaken, to ensure its importance is recognised. Responsible Officer Chief Officer Date 31 December 2026

Follow up of prior year recommendation

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
PY1. Annual accounts quality review and control procedures The IJB identified a material prior period error in its annual accounts whereby recharges for care services had been missed out of the financial information provided to the IJB by its partners. As the IJB is reliant on the financial systems of its partners, all	The IJB should implement additional year end quality review and control procedures to support the preparation of the annual accounts. This should include: assurance requests to partners to confirm year end income and expenditure figures recognised by each partner, including agreement of final amount of funding	Ongoing Management have implemented a three-way confirmation of figures between the IJB and its partners. However, NHS confirmation was verbal so could not be confirmed. We request that this is documented in future.

three parties should agree relevant income and expenditure totals, so the annual accounts are consistent across the bodies. The IJB unaudited accounts recognised the funding of £1.278 million for 2023/24 as part of the SIC funding contribution to the IJB, however as the funding is received through the baseline transfer to NHS Boards, this should have been included as part of the NHS funding contribution instead. Risk – material misstatements are included in the annual accounts.	contributions to the IJB, commissioning grants to the partners from the IJB, and balances due to/from the IJB at 31 March, to support the preparation of the annual accounts. clarification between partners of the treatment of IJB related resource transfers between the NHS and the council for care services. Documentation of management review and signoff on unaudited accounts Accepted Year-end quality review and control procedures will be implemented as part of the 2024/25 audit closedown. Responsible officer: Chief Financial Officer Agreed date: March 2025	There has been a resolution reached regarding treatment of the resource transfer. Verbal confirmation was provided that the annual accounts document and underlying figures are checked for completeness and accuracy. This could be improved by formally documenting the checks with have been undertaken. Responsible officer: Chief Financial Officer Agreed date: April 2026
PY2. Review of budget monitoring effectiveness The IJB has repeatedly produced an actual outturn which is significantly higher than budget. Information provided to those charged with governance in May 2024 predicting a deficit which was £3.182 million (compared to actual outturn of £7.432 million). Risk – Those charged with governance are not provided with sufficiently accurate financial information to make effective decisions for the IJB.	The IJB should review its budget monitoring processes to ensure outturn forecasts are based on up-to-date and accurate information. Accepted Forecast procedures will be reviewed during 2024/25. However, the actual outturn for 2023/24 was artificially inflated due to SIC central support costs being added after the Q4 Financial Monitoring Report had been published. This timing difference and associated impact on the accounts will be addressed during the 2024/25. Responsible officer: Chief Financial Officer Agreed date: March 2025	Complete The practice of excluding agency costs from budgets continues to be the approach that the IJB is taking. This matches the approach of the partners in setting their budgets. This is the key cause of discrepancy between budget and final outturn positions for the IJB. From attendance at meetings of the IJB board, this point has been discussed by members. The conclusion was that they were aware of the impact that this would have between budget and actual outturn and that they accepted this discrepancy. We have identified the cause of the discrepancy between budget and outturn, and the IJB is aware of this. No further

action is to be taken on this point.

PY3. Medium-term financial plan

The proposed 2023/24 partner funding payments, and the Directions issued to partners makes assumptions around savings targets. However, these targets are unlikely to deliver full year savings. In addition, the ongoing cost pressures experiences in service delivery have not been recognised in the forward projections.

Risk – Delivery of services in line with Directions is unachievable with existing resources.

Recommendation-

The current projections in the medium-term financial plan should be updated, along with the Directions, to reflect ongoing cost pressures and planned delivery of savings programmes.

Responsible officer: Chief Financial Officer

Agreed date: April 2025

Superseded

This action has been superseded by recommendation 1 of 2024/25.

PY4. Financial Sustainability (2022/23)

Recommendation-

The IJB should consider the options available to it to enhance community engagement in the budget setting process, to ensure that community views are taken into account when allocating resources to drive improvement in outcomes.

Update/ongoing action

Community engagement related to specific improvement work continues across the Partnership in line with the IJB's Participation and Engagement Strategy There has been ongoing engagement with a number of interest groups about service changes through 2024/5. These will be evaluated and there will be ongoing evaluation of our engagement activities over the next three months.

Responsible officer: Chief Officer

Date: March 2025

Complete

The three-year joint strategic plan sets the objectives for the IJB in the medium-term. The plan is formed through consultation with strategic partners and community stakeholders. The strategic plan then informs the directions given by the IJB to its partners for service expenditure. This in turn feeds into the annual and medium-term financial plans to ensure funding is available to meet these directives.

Therefore, the annual and medium-term budgets are developed following community engagement regarding the services the IJB should provide.

**PY5. Financial
Sustainability (2022/23)**
Recommendation-

The IJB should ensure it is involved in the reviews of the Council and NHS workforce plans and receives reporting on how these workforce plans will meet the IJB's needs.

Agreed action-

Workforce plans are currently under development by the Council and NHS involving HSCP managers in their development. These will feed into the next Joint workforce plan required by the Scottish Government

Responsible officer:

Chief Officer

Date:

June 2025

Ongoing

Partner workforce plans are in final stages of production. Once available the IJB will perform an analysis to understand how the findings will impact the IJB. This will also feed into the next Joint workforce plan as required by Scottish Government.

Responsible officer:

Chief Officer

Date:

June 2026

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practice: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Shetland Islands Integration Joint Board

2024/25 Annual Audit Report



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot