



Grant Thornton

# Dumfries and Galloway Integration Joint Board

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**External Audit Annual Report to those Charged with Governance and the  
Controller of Audit for the financial year ended 31 March 2019**

30 September 2019

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Engagement Leader

**John Boyd**  
Senior Manager



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# Our audit at a glance

## – Audit of Financial Statements



We have fulfilled our responsibilities per International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work and this report concludes our work.



Materiality has been updated based on the unaudited 2018/19 financial statements to £7.364 million (2% of gross 2018/19 expenditure).

Performance materiality is £5.523 million and we have reported to Management everything identified over £250,000, the maximum threshold set by Audit Scotland.



Significant audit risks were: Management override of controls. We have rebutted the presumed risk of fraud arising from revenue recognition. Our risk assessment remained unchanged and we did not identify any adjustments in this area of our work.

### An audit underpinned by quality



We have built on our relationship with Management, through our work with both NHS Dumfries and Galloway and Dumfries and Galloway Council, during the year and this has ensured an efficient audit process to allow for the audit to be concluded by early September 2019.



Our work was undertaken in accordance with our agreed timetable. The draft financial statements produced by Management were of a good standard and supported by working papers. We thank Management for their support and assistance during the audit.



We have issued an unmodified audit opinion on the annual report and accounts.

# Summary on wider scope audit observations



The IJB achieved a breakeven financial position for 2018/19. In order to achieve this outturn position, additional non-recurring funding was released from the NHS Dumfries and Galloway to the IJB to off-set the underlying overspends of £1.814 million in-year.



The 2019/20 IJB recurrent budget baseline is £360.230 million. When the funding for pressures and uplifts are added to the revised recurring baseline the delegated budget is £381.790 million (2018/19: £377.967 million).



There remains a significant challenge around the financial sustainability of the IJB, with the Board approving the IJB Financial Plan for 2019/20 which is presented as a balanced position with an in-year gap of £6.85 million for which savings are still to be identified.

## Consideration of the four dimensions of wider-scope public audit



During the year the Audit and Risk Committee has continued to challenge the effectiveness of the governance structure and the risk management arrangements in place, and in particular how they gain assurance that controls are operating effectively to mitigate the risks identified.



Integration Authorities were asked to submit a self assessment in relation to the progress towards the integration of health and social care. The IJB members scored seven proposals as partly established, 12 proposals as established and three proposals as exemplary and no proposals were considered to be not yet established, against the six Audit Scotland themes.



This report reflects our requirements under the Code of Audit Practice. We have provided commentary against our specific wider scope risks as well as certain aspects of IJB arrangements as they relate to: financial management; financial sustainability; governance and transparency and value for money. Overall the IJB continues to focus on governance, risk management, performance and improved outcomes whilst recognising the financial pressures ahead.

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## Adding value through our external audit work

First and foremost our objective is to ensure we deliver a quality external audit which complies with International Standards on Auditing (ISAs) UK and the Audit Scotland Code of Practice (2016). Through this Annual Report we seek to provide insight and commentary over certain aspects of IJB's arrangements, sharing relevant practices with the Board and Management.

We have continued to build on our working relationship with Management and our understanding of the IJB as an organisation. During the year we had a joint meeting with the Chief Executive's from both partner organisations and the Chief Officer of the IJB and agreed a more streamlined approach for 2019/20 which recognises common risks across all three entities. This will allow for a joined up planning and reporting going forward. We have also shared relevant publications with Management, in particular from Audit Scotland, and contributed in Audit and Risk Committees providing expertise in relation to risk management arrangements in particular.

# Introduction

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2019.

Our work has been undertaken in accordance with International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016.

Our report is addressed to those charged with governance (IJB Audit and Risk Committee and Board) in their role as set out within the integration scheme and the Controller of Audit.

Once finalised this report will be made publically available on the Audit Scotland website ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)).

Our report was presented as a draft to the IJB Audit and Risk Committee on 9 September 2019. Management intend to take this report alongside the final 2018/19 financial statements to the Board meeting on 25 September 2019, where the financial statements will then be signed.

We would like to thank Management and the finance team for an effective year-end audit process and all their support and assistance in the audit process.

## Structure of this report

As set out in our Audit Plan (December 2018) and in accordance with the Audit Scotland Code of Practice 2016, in addition to our core financial statements audit we provide conclusions on the four dimensions of wider-scope public audit.

Within our plan we pinpointed IJB wider scope risk, namely financial sustainability due to the level of savings not yet identified. Our audit report considers this risk and the IJB's financial management, governance and transparency and value for money arrangements.

## Our opinion

For the financial year ended 31 March 2019 we have issued an **unqualified audit opinion**

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 code
- 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
- Other information in the annual report including Annual Governance Statement
- Other prescribed matters

## Basis of preparation

The IJB' financial statements are prepared in accordance with the 2018/19 CIPFA Code of Practice on Local Authority Accounting ('the 2018/19 Code'). The 2018/19 Code introduced a number of changes including the adoption of new International Financial Reporting Standards (IFRS). However, the introduction of these standards and other changes within the 2018/19 Code did not have a material impact on the financial statements

## The audit process

A complete set of financial statements were made available to the public on 25 June 2019, meeting the statutory deadline of the end of June.

The draft financial statements were supported by good working papers and as the external auditors of both NHS Dumfries and Galloway and Dumfries and Galloway Council (partner organisations) we were able to see both sides of the transactions and agree to underlying records, making for an efficient audit.

We identified no changes to the financial statement balances and have no unadjusted differences to report to the Audit and Risk Committee and Board. We identified minor disclosure enhancements and these have been reflected in the financial statements.



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# Our financial statements audit



Materiality was set at £7.364 million, representing 2% of gross expenditure based on the 2018/19 audited financial statements. Performance materiality was set at £5.523 million, representing 75% of materiality.



The draft financial statements were of a good standard and prepared in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK, where applicable to an IJB. The financial statements were supported with detailed working papers.



We have issued a true and fair audit opinion on the financial statements, including the wider information contained in the financial statements. The information within the audited parts of the Remuneration Report are consistent with underlying payroll records.



There were no changes to the significant risks identified in our Audit Plan and testing provided assurance on identified areas of our significant audit risks. There were no material audit differences arising during the course of our audit.



Our audit work was completed in accordance with International Standards on Auditing (UK) (ISAs) and the Audit Scotland Code of Audit Practice (May 2016). Based on our audit procedures performed we have issued an unmodified audit opinion on the financial statements including:

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 code
- 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
- Other information in the annual report including Annual Governance Statement
- Other prescribed matters

## Audit approach and materiality

Our audit approach was set out in our annual audit plan presented to the Audit and Risk Committee in December 2018. Our materiality calculations, set out in our plan, were based on the 2018/19 budget, this has been updated to reflect the unaudited 2018/19 financial statements. Overall materiality has been set at £7.364 million (2% of gross expenditure) and performance materiality is set at £5.523 million (75% of materiality). Our materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We report to management any audit difference identified over £250,000 (capped at £250,000 per Audit Scotland Code of Audit Practice).

The annual report and accounts follow the guidance prepared by LAASAC and CIPFA, the Audit Scotland Good Practice note in relation to improving the quality of integration joint boards annual accounts was also considered.

The financial transactions for the IJB are captured in the NHS Dumfries and Galloway and Dumfries and Galloway Council financial ledger; separate from core transactions and used to produce the accounts.

We did not identify any additional significant audit risks from those identified in our audit plan. Our work completed in relation to the audit risks identified (management override of controls) is set out on *Identified audit risks and our conclusions* section of this report.

## Internal control environment

During the year we have had a number of meetings with Management and attended the Audit and Risk Committees. This has enabled us to build on our understanding of the IJB and its key transactions and accounting arrangements.

As the external auditor of both NHS Dumfries and Galloway and Dumfries and Galloway Council we understand both parties arrangements in respect of the IJB and we have validated aspects of the control environment relevant to the IJB when undertaking these external audits, such as;

- Understand procedures and controls around related parties, journal entries and other key entity level controls.
- Performed procedures around entity level controls and there are no significant matters that we wish to draw to your attention.
- Performed walkthrough procedures on key controls around identified risk areas including revenue, expenditure and payroll as well as ledger controls.

No material weaknesses in the accounting and internal control systems were identified during the audit which could have an adverse impact on the IJB's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements

We adopted a substantive based approach to the audit of the financial statements and therefore our review is limited to the design of controls rather than the operating effectiveness of these.

Under ISAs we are required to report to those charged with governance the main issues arising from our audit of the Annual Accounts and Report. This report discharges our obligations under the relevant ISAs.

## Internal Audit

As set out in our plan we have not placed formal reliance on the work of Internal Audit during 2018/19. In 2018/19 Internal Audit was provided to the IJB by the NHS Dumfries and Galloway in-house internal audit team. In our prior year audit report we noted that it was anticipated that NHS Dumfries and Galloway would continue to provide the internal audit service for the IJB, linking in with the Council's internal audit team where relevant to ensure no duplication and that key IJB risks are covered by the internal audit planning process. We also noted that there was an opportunity for greater sharing with the IJB Audit and Risk Committee the Council's internal audit arrangements and relevant reports. **PY Action Plan, point 1**

The overall input by internal audit has focused on key areas of control, recognising that there are some areas of the core the NHS Dumfries and Galloway and Council internal audit programmes which are also relevant to the IJB. The Chief Internal Auditor has attended the IJB Audit and Risk Committees during the year, presenting progress against the internal audit plan and relevant reports, but there was no dedicated resource set aside for IJB specific internal audit reviews.

Looking forward, it is anticipated that NHS Dumfries and Galloway and the Council's internal audit team will both provided 40 days of resource each to focus on key IJB risks and these set aside days are included in both of the 2019/20 internal audit plans.

The IJB internal audit report concluded that adequate and effective controls are in place which support the IJB governance statement within the IJB accounts.

## Narrative elements of your annual accounts

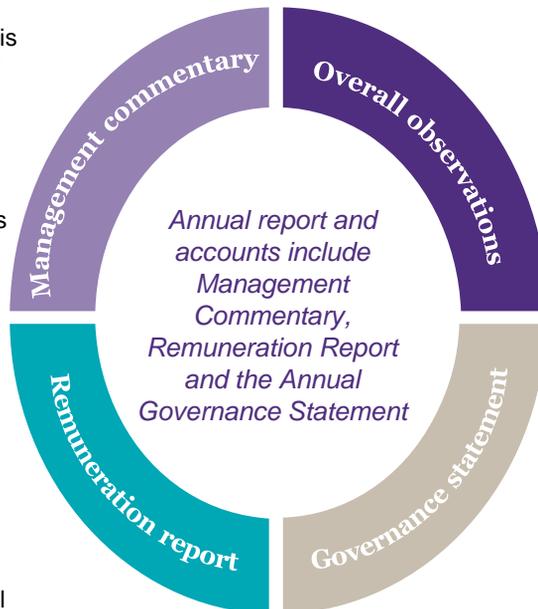
In accordance with our responsibilities we have reviewed your narrative aspects of the Annual Accounts and Report. We have considered the consistency of this narrative with our understanding and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited) and have no matters we wish to bring to your attention.

### Management Commentary

- The Management Commentary is in line with our understanding of IJB and in particular the vision and strategic priorities of IJB
- The statement is clear and concise.
- Financial Outlook and Key Risks are well articulated and aligned to IJB's internal risk reporting i.e. demographic pressures.

### Remuneration Report

- The remuneration report has been prepared in accordance with Local Authority Accounts (Scotland) Regulations 2014.
- The Chief Officer and the Chief Finance Officers salary and pension details are set out in full noting that this is the full salary, and not apportioned for the IJB as this would be an arbitrary split.



### Overall observations

- IJB continue to look at how the "front end" of the Annual Report and Accounts tells the story of IJB as an organisation including strategic priorities, risks and challenges and opportunities.
- We have considered the Management Commentary as well as audited the financial information included in the Remuneration Report and Governance Statement. We have no matters we wish to bring to your attention.

### Governance Statement

- No material issues of governance in year that are required to be reported.
- The governance statement is in accordance with the Local Authority Accounts (Scotland) Regulations 2014.
- The statement is supported by Committee to the Board Assurance Statements and the internal audit's assurance over internal controls.

## Key aspects of your financial statements

As set out in our audit plan we consider particular aspects of your financial statements in relation to management judgements including estimates and where Management may have particular options or choices in what accounting standards or disclosure requirements to apply. We have summarised where these apply, and our conclusions below.

IJB **accounting policies** are in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK and are consistent with the prior year.



We identified no issues with regards to the **timing of transaction** and there are no post balance sheet events or legal uncertainties at year-end.

In terms of **uncertainties**, no uncertainties have been identified which have an impact on the final annual report and accounts.

Overall the IJB accounts are considered simple accounts with no areas of **estimate or judgement**, which is in line with our expectations.

Finally the IJB, as set out in the Note 1: Accounting policies (i. General principles) of the annual accounts, consider themselves a **going concern**.

The IJB has an agreed budget from NHS Dumfries and Galloway and Dumfries and Galloway Council and provides a specific function in the area governed by the agreed Integration Scheme. We have no reason to think this level of funding or Scottish Government commitment to the IJB structures will significantly change over the next 12 months from the date of signing the opinion.

# Identified audit risks and our conclusions

## Overview of our audit risks identified at planning and our proposed approach

	Risk of fraud in revenue	Management override of controls
The Risk	<p>As set out in ISA 240 there is a presumed risk of fraud arising from revenue recognition.</p> <p>Given the IJB's income comes from agreed levels of funding from NHS Dumfries and Galloway and Dumfries and Galloway Council, we have rebutted the presumed risk of improper recognition of revenue.</p>	<p>As set out in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and preparing fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Therefore, there is a presumed risk that management override of controls is present in all entities.</p> <p>We consider the most pertinent place where there is opportunity and incentive for Management override of controls to be around inappropriate recognition of financial transactions between the IJB and partner bodies to manipulate financial outturn.</p>
Our response	<p>Risk Rebutted;</p> <ul style="list-style-type: none"> <li>We have rebutted the presumed risk of fraud arising from revenue recognition due to the nature of the income received by the IJB.</li> <li>We will therefore consider the revenue balance as part of our year end audit but not at a significant risk level.</li> </ul>	<ul style="list-style-type: none"> <li>A focus on understanding how/where management override of controls may occur.</li> <li>Review of the controls over journal entries using our data analyser tool to focus on higher risk journals.</li> <li>Understanding key areas of judgement and accounting estimates within the financial statements and the basis for these judgements and the application of accounting policies.</li> <li>Reviewing unusual and/or significant transactions that are out with the normal course of business for the entity to understand the rationale for these transactions.</li> </ul>
Our conclusion	<ul style="list-style-type: none"> <li>Based on our testing we did not identify any areas of concern in our testing. As respective auditors of both partner bodies we could see both sides of the transaction and confirmed we did not identify any transactions that would be considered out with the remit of the IJB.</li> </ul>	<ul style="list-style-type: none"> <li>We have agreed the IJB outturn financial position, to underlying financial ledgers within the partner organisations.</li> <li>We have also tested journals where there is a heightened risk of management override.</li> <li>Given the nature of IJB transactions there is limited areas of estimation.</li> <li>We did not identify any significant areas of management bias in key judgements. We have not identified any unusual or inappropriate transactions during the course of the year that would indicate management manipulation of financial results.</li> <li>We have confirmed that there is limited opportunity or indication of Management inappropriately recording transactions in the partner organisations ledgers.</li> </ul>

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# Financial management



The IJB achieved a breakeven financial position for 2018/19. In order to achieve this outturn position, additional funding was released from NHS Dumfries and Galloway to the IJB to off-set the underlying overspends of £1.814 million in-year non-recurring. The overspends related to the IJB delegated services of Acute and Diagnostics as well as Primary and Community Care.



Whilst the outturn position of breakeven is a positive one for 2018/19, reflecting the efforts of Management in identifying and delivering savings of £13.066 million against an overall annual target of £15.826 million, the recurring savings gap is £10.498 million (made up of £9.617 million NHS and £0.881 million social work required savings). Of this in-year savings gap of £2.760 million, £0.946 million was absorbed through underspends with the remainder of £1.814 million being funded from NHS Dumfries and Galloway.



The IJB finished 2018/19 with ringfenced funding of £8.4 million (2017/18: £6.8 million). The increase relates mainly to the Primary Care Transformation (£0.7 million) and Mental Health (£0.1 million) funding and the new allocation of Alcohol and Drugs Partnership funding (£0.5 million). These are ringfenced allocations and are fully committed and remain set aside for the purposes they were originally allocated to, and will be utilised as planned during 2019/20 and beyond. The IJB has no general reserves.



As external auditors of both NHS Dumfries and Galloway and the Council, we have also obtained assurance from our work undertaken as part of these audits regarding the systems and internal controls related to transactions and balances recorded in the IJBs financial statements. No material weaknesses have been identified from our audit work performed.

During our audit planning process, no specific financial management risks were identified for 2018/19. The Integration scheme and funding agreements continue between the IJB, NHS Dumfries and Galloway and Dumfries and Galloway Council confirming that any overspends in 2018/19 would be supported by the party who originally delegated the budget if financial balance could not be achieved. Despite having not identified any wider scope significant risks at the planning stage, we considered the IJB's financial management arrangements, informed through the work of internal audit and the high level financial framework of policies and procedures in place, including: Financial Standing Instructions, Scheme of Delegation; and Fraud policies and training.

### Financial performance for 2018/19

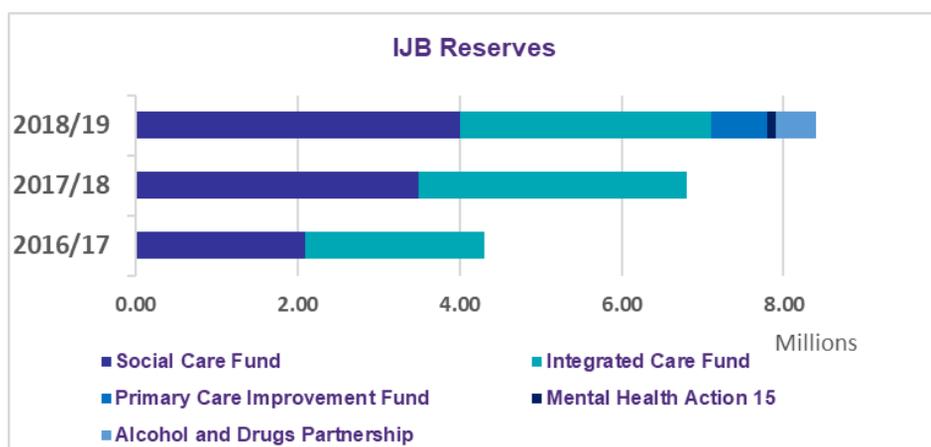
The IJB achieved a breakeven financial position for 2018/19, this is an improvement from the original Financial Plan, that reported £5.3 million of savings not yet identified, as reported in our Audit Plan in December 2018. In order to achieve this outturn position, additional funding was released from the NHS Board to the IJB to off-set the underlying overspends of £1.814 million in-year non-recurrently. In accordance with the integration scheme any overspend in the IJB is required to be met by the organisation with the overspend, in this case the NHS Board. The main areas of overspend within the IJB related to

- Payroll pressures within Acute and Diagnostics (£764k).
- Non-payroll pressures across Acute and Diagnostics related to outsourced Radiology work (£145k), increased levels of activity within laboratories (£141k) and increased costs associated with patients travelling to tertiary centres for cancer treatment and local transport costs for renal patients (£105k).
- Non-pays pressures (£192k) across Facilities relates predominantly to expenditure within Integrated Community Equipment Service, clinical waste and increased laundry costs.
- In addition to unachieved and unidentified CRES within Primary Care Prescribing (£764k).



### IJB ringfenced allocations

The IJB finished 2017/18 with ring fenced carry forward allocations of £6.8 million, however as at the 31 March 2019 the ring fenced carry forward increased to £8.4 million. The increase relates mainly to the Primary Care Transformation (£0.7 million) and Mental Health (£0.1 million) funding and the new allocation of Alcohol and Drugs Partnership funding (£0.5 million) has also been carried forward due to the late allocation during the year.



The IJB will retain these ringfenced allocations into 2019/20 with the intention to use the allocated funding in the management of pressures within social care as well as development and transformation of new services across the partnership to support the objectives of the strategic plan, aligned to the purpose of the allocation. These are ringfenced allocations and are fully committed and remain set aside for the purposes intended **Action Plan, point 6**. The IJB has no general reserves.

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## Delivery of 2018/19 savings



Whilst the outturn position of breakeven is a positive one, reflecting the efforts of IJB Management in identifying and delivering savings of £13.066 million against an overall annual target of £15.826 million, the recurring savings gap is £10.498 million (made up of £9.617 million NHS and £0.881 million social work required savings).

The savings targets of £2.146 million for social work budgets and £13.680 million for NHS budgets was required to achieve a balanced position for 2018/19. For social work budgets, the savings were not fully achieved, with the balance being offset through other underspends. For NHS budgets, the in-year gap on NHS services were covered through a combination of underspends in payroll and additional non-recurrent funding (£1.814 million) from the NHS Board.

## Systems of internal financial control

We have evaluated the IJB's key financial systems and internal control to determine whether they are adequate to prevent misstatements in the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

As auditors of both the Council and NHS Board, we have also obtained assurance from our work undertaken as part of these audits regarding the systems and internal controls used to produce the transactions and balances recorded in the IJBs financial statements. No material weaknesses have been identified from our audit work performed.



## Dumfries and Galloway IJB model



The IJB model implemented within Dumfries and Galloway delegates all of the Acute services to the IJB, reflecting the same geographical boundaries of the Council and Health Board. This has allowed a whole system approach to planning and delivery of services for an area of 2481 square miles and a population of 148,790.

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# Financial sustainability



The 2019/20 IJB recurrent budget baseline is £360.230 million. When the funding for pressures and uplifts are added to the revised recurring baseline the 2019/20 IJB delegated budget is £381.790 million (2018/19: £377.967 million).



Looking forward, there remains a significant challenge around the financial sustainability of the IJB, with the Board approving the IJB Financial Plan for 2019/20 which is presented as a balanced position with an in-year gap of £6.85 million for which savings are still to be identified. The scale of the gap moving into 2019/20 is £19.504 million in total (£16.532 million re NHS Board and £2.972 million re Council), with schemes to the value of £12.7 million having been identified, leaving the current gap of £6.85 million outstanding.



IJB management are developing a financial improvement programme as part of the financial recovery plan measures to seek to close the gap in-year recognising that this year is not business as usual financially and that delivery of a balanced financial position will be extremely difficult. Work has commenced to assess good practice in other Partnerships to look to develop a detailed programme.



The strategy for development of savings and efficiency plans within the IJB continues to focus on areas such as transformation of services, reduction in locum costs, prescribing efficiencies, through improving recruitment and retention and digital and eHealth initiatives. This will be driven by the Transformation Programme for the IJB, which has established a range of programme boards to take forward service transformation across the Health and Social Care Partnership.



For 2019/20, it has been agreed between the parties that the arrangements in year one and two will continue for a further year, whereby each of the parties would be responsible for the overspend position on their delegated budgets should the IJB be unable to deliver a balanced position.

Within our audit plan we identified risk around financial sustainability of the IJB. In accordance with the Code of Audit Practice, we have undertaken appropriate procedures to allow us to form a conclusion around the identified areas of risk and the organisation's financial sustainability. This includes review of corporate and financial strategies and plans as well as discussion with senior management.

We identified a specific audit risk in our plan related to IJB financial sustainability. We have outlined below our response to this risk and overall conclusion.

Identified audit risk at planning	Conclusion
<p>Across the public sector, financial pressures are increasing due to reductions in Scottish Government Funding. According to Audit Scotland's Health and social care integration - Update on progress report, Integration Authorities needed to achieve savings of £222.5 million in 2017/18, with further savings forecasted for future years.</p> <p>The IJB face a number of challenges including an ageing population; reducing acute admissions and shifting the balance of care.</p> <p>While the IJB anticipate meeting financial targets in 2018/19, there is a significant savings gap of £5.3 million and a number of known financial pressures for this year and future years. Management recognise the need for sustainable transformational savings.</p> <p>Wider scope significant risk pinpointed to the IJB financial sustainability due to the level of savings not yet identified (£5.3 million) for 2018/19. This extends to the achievability of the savings already identified and the related assumptions.</p> <p><b>Our Response:</b></p> <p>In response to the identified wider scope significant risk;</p> <ul style="list-style-type: none"> <li>• We will continue to discuss financial sustainability with the IJB Management.</li> <li>• We will review the financial plans in place, including the scenarios set out and the assumptions made.</li> <li>• We will review the governance of the plans and regular reporting on future financial scenarios.</li> </ul>	<p>As discussed as part of our <i>Financial management</i> commentary, we noted that the £5.3 million gap reported as part of the wider scope significant risk within our Audit Plan was met through savings and additional funding from Health Board.</p> <p>Going forward there remains a significant challenge around the financial sustainability of the IJB, with the Board approving the IJB Financial Plan for 2019/20 which is presented as a balanced position with an in-year gap of £6.85 million for which savings are still to be identified. The scale of the gap moving into 2019/20 is £19.504 million in total (£16.532 million re NHS Board and £2.972 million re Council), with schemes to the value of £12.7 million having been identified, leaving the current gap of £6.85 million outstanding.</p> <p>The main risks and challenges facing the IJB for 2019/20 are as follows;</p> <ul style="list-style-type: none"> <li>• General recruitment and workforce retention remains a high risk area, particularly in regards to both medical and nursing recruitment.</li> <li>• The high cost of using medical locum doctors remains a high risk when taking into account the wider market supply and availability of doctors.</li> <li>• There will continue to be a high level of risk associated with the deliverability of some efficiency savings as well as controlling the number and level of new drugs approved by Scottish Medical Consortium and the New Medicines Fund.</li> <li>• Ongoing growth of activity and costs associated with Dumfries and Galloway residents being treated in other Health Boards remains a high risk area, with the ability to control changes in other organisations' service delivery models remaining limited.</li> <li>• Price pressures relating to living wage, inflation and independent provider specific cost pressures.</li> <li>• Demographics and increased levels of care dependency will always put pressure on existing financial resources, this is proving to be a considerable cost pressure with younger adults.</li> <li>• Risk around delivery of savings programme, both the level of unidentified savings and slippage of in-year savings.</li> </ul> <p>Management are developing a <i>financial improvement programme</i> as part of the financial recovery plan measures to seek to close the gap in-year recognising that this year is not business as usual financially and that delivery of a balanced financial position will be extremely difficult. Work has commenced to assess good practice in other Partnerships to look to develop a detailed programme which includes a range of activities including:</p> <ul style="list-style-type: none"> <li>• Review and implement a project support structure to support the Chief Officer and Chief Finance Officer to increase partnership focus on financial position.</li> <li>• Regular programme board meetings to be established to increase focus on financial issues and drive forward financial improvements.</li> <li>• Further workshops to be scheduled with H&amp;SCSMT, Board members, other partners to focus on savings and ideas generation and development and to provide assurance on the work which is being progressed.</li> <li>• Provide regular reports on progress back to IJB, Performance and Finance Committees, Management Teams.</li> </ul> <p>It was noted from review of the IJB Financial Plan 2019/2020 – 2021/2022 that there was high level of detail with regards to the IJB Budget (showing the split of Health Board and the Council), it also includes detail on the savings gap, risks and challenges, detail on savings plans and efficiency strategy including assumptions, however all of the narrative relates to 2019/20 with little reference to financial year 2020/21 or 2021/22 in the plan – <b>Action Plan, point 1.</b></p>

## Budget for 2019/20

The 2019/20 IJB delegated budget position is as follows;



	IJB NHS Allocation £'000	IJB Council Allocation £'000	Total £'000
<b>2019/20 Recurring Baseline</b>	<b>283,608</b>	<b>72,422</b>	<b>356,030</b>
Funding for transfer of Acute Pharmacy and Public Dental Service into IJB	4,200	0	4,200
<b><u>Revised Recurring Baseline</u></b>	<b><u>287,808</u></b>	<b><u>72,422</u></b>	<b><u>360,230</u></b>
Funding for Pressures and Uplifts	15,531	6,029	21,560

The above table identifies the combined IJB recurrent budget baseline from both the NHS and the Council. When the funding for pressures and uplifts are added to the revised recurring baseline the 2019/20 IJB delegated budget is £381.790 million (2018/19: £377.967 million).

## Saving and Efficiencies

The strategy for development of savings and efficiency plans within the IJB continues to focus on areas such as transformation of services, reduction in locum costs, prescribing efficiencies, through improving recruitment and retention and digital and eHealth initiatives.

*Transformation Programme* for the IJB has established a range of programme boards to take forward service transformation across the Health and Social Care Partnership. A process has been agreed whereby a long list of savings plans has been developed, scored and assessed as to deliverability and priorities. This remains one of the key programme of the IJB's sustainability and efficiency work with the plan developing options over a three year time frame.

Medical recruitment continues to be a difficult area for NHS Dumfries and Galloway, with vacancy rates for consultants averaging around 20% over the past 2 years. This has led to a 7% increase in demand of external agency hours during a period of severe competition across the sector for quality medical locum cover, with total expenditure in 2018/19 of £12.1 million. This is a reduction in cost from prior year (£12.6 million) despite the 7% increase, this reduction reflects the ongoing reduction of hourly rates driven through the contract with Retinue.

Savings of £0.7 million have been achieved through Primary Care prescribing in 2018/19 and this is planned to continue into 2019/20 through a variety of savings schemes such as reducing variation in prescribing patterns and volume of drugs and ensuring that the most cost effective drug continues to be prescribed.

Secondary Care prescribing has delivered savings of £1.2 million during 2018/19. Going into 2019/20 it is planned to continue delivering these savings as national procurement continues to negotiate national discounts.



## Integration Scheme



The Integration Scheme, which has been agreed between the partners, confirmed that for the first year of operation as a partnership, any overspend would be supported by the party who originally delegated the budget if financial balance could not be achieved by the partnership. The Integration Scheme does however state that any move to a different methodology could be agreed as the partnership matures.

For 2019/20, it has been agreed between the parties that the arrangements in year one and two will continue for a further year, whereby each of the parties would be responsible for the overspend position on their delegated budgets should the IJB be unable to deliver a balanced position.

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# Governance and transparency



During 2018/19, IJB has continued to look to develop governance arrangements in place to support the Board and the Committees of the IJB: Performance and Finance Committee, Clinical and Care Governance Committee and Audit and Risk Committee.

The Chair of the IJB for 2018/19 was Penny Halliday who also holds the role of Vice-Chair of the NHS Board. This role was passed to Councillor Andy Ferguson from 3 April 2019. Penny Halliday was nominated by the NHS Board to revert to the Vice-Chair role.



During the year the Audit and Risk Committee has continued to challenge the effectiveness of the governance structure and the risk management arrangements in place, and in particular how they can gain assurance that controls are operating effectively to mitigate the risks identified.

Looking ahead, in 2019/20 the IJB should continue to develop their risk management arrangements, ensuring clarity over the risk register and the associated controls and assurances they require over the risks identified. Overall there has been good engagement by the Audit and Risk Committee in respect of risk, and evidence of how the committee is influencing the development of risk in a positive manner, e.g. through risk workshops.



The IJB has established a transformation programme which is reported to the IJB Board and the Performance and Finance Committee. The detailed scrutiny and review takes place at the Performance and Finance Committee at each committee meeting.



During 2018/19, reasonable progress has been made with regards to information sharing to support the joint working of NHS and social work staff in an attempt to share data in a safe and effective way supporting our service users. No live data has been shared as at 24 June 2019, when the latest update was provided to the Audit and Risk Committee, as this is subject to successful completion of the Data Sharing Agreement.



The new IJB website ([www.dghscp.co.uk](http://www.dghscp.co.uk)) was launched in late 2018, however the old website is still live and has out of date IJB Board members listing and corporate publications. The home page of the old website should make reference and provide a link to the new website to promote the new website and ensure that users accessing the old website are directed to the most up-to-date IJB information.

During our audit planning process, no specific Governance and transparency risks were identified for 2018/19. The IJB Board and officers are responsible for establishing robust governance arrangements. During 2018/19 these arrangements will continue to be developed. This includes ensuring effective systems of internal control, including arrangements to safeguard public funds and compliance with applicable laws and regulations. It is important that these arrangements are sufficient and appropriate and embedded within the organisation to support decision making and the delivery of the strategic aims of the IJB.

## Risk management

The Risk Register, supporting Risk Management Strategy and risk framework have continue to evolve and be developed throughout 2018/19.

The risk register was developed by the Health and Social Care Senior Management Team (H&SCSMT) and monitored through the Audit and Risk Committee throughout the year.

Initially, the IJB risk register included 12 risks in total, one 'Very High' level risk in relation to lack of availability of suitably qualified and competent staff/carers resulting in inability for partners to provide services, seven 'High' level risks four 'Medium' level risk. However, this risk register became the Health & Social Care Partnership risk register, with the IJB adopting a more strategic level risk register with three risks.

The three strategic level risks included; Failure to develop an adequate and effective Strategic Plan, Sufficiency or stability of resource to meet the needs set out in the Strategic Plan and Failure to make progress against the nine National Health & Wellbeing Outcomes.

It was concluded at the December 2018 Audit and Risk Committee that the Committee agreed to approve the strategic level risks, however it was agreed that a further review of the IJB Risk Register be undertaken and a risk workshop held to further understand and assess IJB risks, with this process on-going.

During the year the Audit and Risk Committee has continued to challenge the effectiveness of the governance structure and the risk management arrangements in place and in particular how they can gain assurance that controls are operating effectively to mitigate the risks identified.

Looking ahead, in 2019/20 the IJB should continue to develop their risk management arrangements, ensuring clarity over the risk register and the associated controls and assurances they require over the risks identified. (**Action Plan, point 2**). Overall there has been good engagement by the Audit and Risk Committee in respect of risk, and evidence of how the committee is influencing the development of risk in a positive manner.

## Transformation programme

The strategic plan for the IJB outlines that a significant change programme is required to support the level of redesign required across Health and Social care services to support the demographic, workforce and financial challenges.

The IJB has established a transformation programme which is reported to the IJB Board and the Performance and Finance Committee. The detailed scrutiny and review takes place at the Performance and Finance Committee at each committee meeting.

All service reviews apply the IJB's six principles of service planning, alongside four core aspects: quality, sustainability, affordability and safety.

For each programme identified there is a lead manager/director, a description of the planned saving/service redesign, financial impact of the saving and a status. This information is summarised, alongside a full breakdown of the proposal including risks, timescales/milestones and potential impact on the four core aspects.

From reviewing the transformation programme papers it is clear significant work has taken place to attempt to identify and quantify saving schemes. A number of these come with associated risks and may take over 12 months to implement in full as relate to a change in wider service provision. The papers provided to the Finance and Performance committee are detailed, and of sufficient detail to allow informed decisions.



## IJB Strategic Plan

The IJB Health and Social Care Strategic Plan sets out the vision and purpose of the IJB and has been developed with services users as well as people who work in health and social care and third and independent sector partner organisations.

The plan considers the key challenges, priority areas of focus and commitments until 2019. During 2017/18 the strategic plan was reviewed and considered still relevant and the underlying strategic priorities remain unchanged, and this has been extended until 2021.



## EU Withdrawal

There are uncertainties surrounding the terms of the UK's withdrawal from the European Union and these are subject to ongoing negotiation between the UK government and EU. Whatever the outcome of these negotiations there is inevitably implications for devolved government in Scotland and for the IJB.

There is considerable uncertainty around the potential impact of Brexit. Likely areas to impact the IJB are: workforce implications; funding; and regulation. We have used Audit Scotland's planning guidance to evaluate the Board's readiness for EU withdrawal across workforce (People and Skills); Finance; and Regulations.

We found that IJB partner organisations has incorporated the risk of EU withdrawal into its risk management arrangements and monitored through Management and the Board. Overall we found that IJB partner organisations had clearly considered the potential consequences of EU Withdrawal, particularly the potential implication of a 'no-deal' withdrawal from the EU. However, work is ongoing and there are opportunities for further consideration of evaluation of the medium to longer term implications of EU withdrawal at the Board.

Overall, IJB demonstrates a good level of preparation for EU Withdrawal, we would therefore conclude that the organisation is 'well prepared'. Despite being well prepared for the implications of EU Withdrawal this is an area of ongoing development and continued uncertainty and therefore IJB should continue to monitor its readiness against any future developments.



## Information Sharing Portal

During 2018/19, reasonable progress has been made with regards to information sharing to support the joint working of NHS and social work staff in an attempt to share data in a safe and effective way supporting our service users.

No live data has been shared as at 24 June 2019, when the latest update was provided to the Audit and Risk Committee, as this is subject to successful completion of the Data Sharing Agreement.

This is a challenging area due to the differing systems used by both organisations as well as from a data privacy perspective, given the highly sensitive nature of the information being shared.



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## Openness and transparency

There is an increased focus on how public money is used and what is achieved. This includes the extent to which IJB keeps pace with public expectations and good practices in this area. Including: increased public availability of papers, insight into why any business is conducted in private and development of the form and content of annual reporting.

We considered Audit Scotland's guidance around openness and transparency as we consider governance arrangements during 2018/19. The new IJB website ([www.dghscp.co.uk](http://www.dghscp.co.uk)) was launched in late 2018, however the old website is still live and has out of date IJB Board members listing and corporate publications. The home page of the old website should make reference and provide a link to the new website to promote the new website and ensure that users accessing the old website are directed to the most up-to-date IJB information. ([Action Plan, point 4](#)).

Additionally, the Local Authority Accounts (Scotland) Regulations 2014 – regulation 8(8) requires authorities, including the IJB to publish unaudited accounts on the website from the date they are submitted for audit inspection until the date on which the audited annual accounts are published in accordance with regulation 11 of the Act. The unaudited IJB accounts were made available on the website via the audit and risk committee papers, however to increase transparency and availability a link should be provided on the home page of the IJB website. ([Action Plan, point 5](#)).



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# Value for money



Integration Authorities were asked to submit a self assessment to the Scottish Government in relation to the progress towards the integration of health and social care. The IJB members scored seven proposals as partly established, 12 proposals as established and three proposals as exemplary and no proposals were considered to be not yet established, against the six themes Audit Scotland themes.



Regular performance information is provided to the Audit & Performance Committee, IJB members, operational managers and is publicly reported. Benchmarking is used to compare performance with other organisations to support change and improvement.



In May 2019, the performance report format was changed. It was felt that the existing NHS “At a Glance” report previously used by the NHS Dumfries and Galloway focussed too narrowly on the performance of Acute and Diagnostics services and could be further developed. The NHS Board requested that a new format of performance report be created and this development will further support IJB reporting and therefore it was agreed that this new format would be adopted by the IJB.

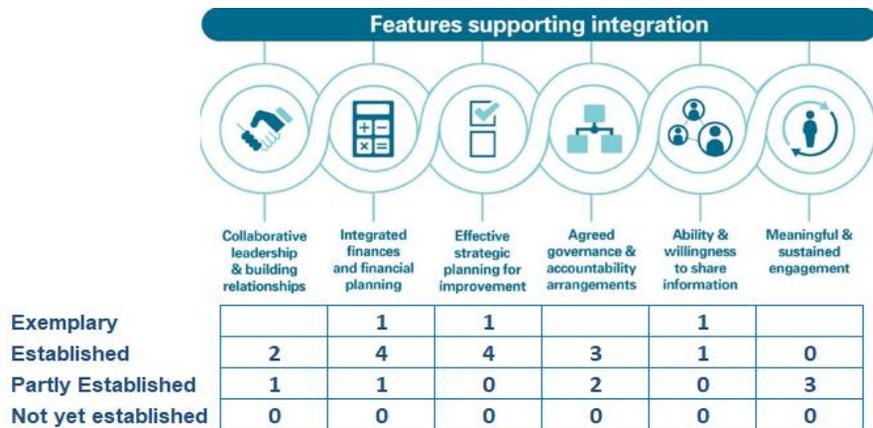
During our audit planning process, no specific Value for money risks were identified for 2018/19. Despite having not identified any wider scope significant risks at the planning stage in relation to the IJBs arrangements for effectively utilising its resources and arrangements, we have considered the IJB's performance management framework and how they capture and measure performance and outcomes. We have looked to ensure that the IJB are reviewing their evaluation of performance and how they seek assurance that they are achieving Best Value. We have also considered the outcome of the Self-evaluation for the Review of Progress with the Integration of Health and Social Care.

### Self-evaluation for the Review of Progress with the Integration of Health and Social Care

Audit Scotland published the report 'Health and Social Care Integration: Update on Progress' in November 2018. The Ministerial Strategic Group for Health and Community Care issued a response to the Audit Scotland report, Review of Progress with Integration of Health and Social Care, in February 2019. This report further recognises the good practice developing, both in terms of how IJBs are operating, and in how services are being planned and delivered to ensure better outcomes. The report acknowledged the challenges to be addressed and set out 25 proposals to underline the shared endeavour of respective organisations.

Integration Authorities were asked to submit a self assessment in relation to the progress towards the integration of health and social care by 15 May 2019. On 26 April 2019, the IJB Performance and Finance Committee agreed to submit a draft self assessment to Scottish Government within this timescale. The assessment acknowledged the extremely challenging environment partnerships were operating within and that significant barriers must be overcome to speed up change.

Audit Scotland report made recommendations following six themes and the 25 proposals are aligned to these themes:



The IJB members scored seven proposals as partly established, 12 proposals as established and three proposals as exemplary (with the remaining three proposals directed to national bodies). No proposals were considered to be not yet established (the lowest self assessment category).

All of the proposals had an associated Proposed Improvement action(s), these were compiled into an Integration Review Action Plan. The Action Plan detailed the actions, the responsible officer, timescale and progress to date/date of completion. As at June 2019, nine of the 71 actions were complete with no actions over due. We will monitor progress against these actions in our on-going wider scope work.

Based on our experience and our review, the self-assessment, associated action plan and progress to date seem reasonable.

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## Performance

The IJB has embedded a performance management culture throughout the Partnership. It has created a wider range of performance information to manage services and target improvements for the people of Dumfries. This is supported by its performance management systems which analyse data, track progress and identify actions.

Regular performance information is provided to the Audit and Performance Committee, IJB members, operational managers and is publicly reported. Benchmarking is used to compare performance with other organisations to support change and improvement.

In May 2019, the performance report format was changed. It was felt that the existing NHS “At a Glance” report previously used by the NHS Dumfries and Galloway focussed too narrowly on the performance of Acute and Diagnostics services. The NHS Board requested that a new format of performance report be created. It was agreed that this new format be submitted to the IJB.

Reporting is clearly linked to strategic priorities and the Annual Performance Report was published in July 2019 and provided a detailed commentary on the 9 National Health and Wellbeing Indicators as well as the core suite of 23 national indicators. The following key areas of performance have been highlighted in the annual report:

- of the 19 national indicators measured (with four indicators not available as still under development by Scottish Government) the IJB are performing inline with or better than Scotland wide position, with two falling out with the Scotland wide position; Emergency admission rate (per 100,000 population) – Adults and Emergency bed day rate (per 100,000 population) – Adults
- ‘delayed discharge bed days’ missed the target by 78 days (result of 1,260 vs. target of 1,182).



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# Appendices

**Audit adjustments**

**Action plan for 2018/19 external audit recommendations**

**Follow up of 2017/18 external audit recommendations**

**Independence, fees and fraud responsibilities**

**Communication of audit matters with the Accountable Officer**

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# Audit adjustments

## **Uncorrected and corrected misstatements**

We are pleased to report that there were no uncorrected or correct misstatements to the financial statements arising during our audit.

## **Disclosure misstatements**

In accordance with auditing standards we are required to highlight significant disclosure misstatements to allow Audit Committees to evaluate the impact of these matters on the financial statements.

There were no material/significant disclosure misstatements identified we wish to bring to your attention.

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# Action plan for 2018/19 external audit recommendations

We have set out below, based on our audit work undertaken in 2018/19, those risks and recommendations we consider are of a higher risk to IJB that Management may wish to consider in the future.

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## 2018/19 Recommendation

## Agreed management response

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### Action Point 1 – 3 Year Financial Plan

It was noted from review of the 'IJB Financial Plan 2019/2020 – 2021/2022' that the narrative relates in the most part to 2019/20 with little reference to financial year 2020/21 or 2021/22. Considering the significant financial sustainability challenges facing the IJB, a great deal of effort and focus as gone into closing the gap and achieving breakeven in 2019/20. We appreciate the difficulty in producing more longer term financial plans, given the current financial climate and the continued focus on annual financial settlements. However, although judgements and estimates will be required it would be beneficial for the IJB to continue to develop the approach to longer term financial planning and seek to have as robust a 3 year financial plan, as is possible in the circumstances.

### Management response:

The IJB developed a three year financial plan as part of its original strategic plan back in 2015/16. Whilst this has been reviewed a formal plan has not been presented back to the IJB for the three year period as the focus has been on developing a balanced budget for 2019/20. Work is ongoing to update the plan and present to Performance and Finance Committee in October.

### Action owner:

Chief Finance Officer

### Timescale for implementation:

31 December 2019

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### Action Point 2 - Risk Management

Whilst work has been progressed in all areas driven by the Committee (especially data sharing), further work and development of the risk strategy and risk assurance processes has been discussed and agreed, and will be monitoring through future Committee meetings.

### Management response:

Work is ongoing to review the risk management arrangements for the IJB through the update of the risk management strategy and a further risk workshop

### Action owner:

Chief Officer

### Timescale for implementation:

30 April 2020

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### Action Point 3 - Committee minutes not reported to Integration Joint Board

It was noted that in five occasions throughout the year, minutes of the respective IJB Committees were not submitted to the Integration Joint Board for consideration and noting. This may have led to important aspects of IJB governance, business and decision making not being brought to the attention of the Integration Joint Board.

### Management response:

This has been addressed by the Governance Officer with a revised agenda matrix and process implemented for next IJB meeting in September.

### Action owner:

Governance Officer

### Timescale for implementation:

30 September 2019

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## 2018/19 Recommendation

### Action Point 4 – New website

The new IJB website ([www.dghscp.co.uk](http://www.dghscp.co.uk)) was launched in late 2018, however the old website is still live and has out of date IJB Board members listing and corporate publications. The home page of the old website should make reference and provide a link to the new website to promote the new website and ensure that users accessing the old website are directed to the most up-to-date IJB information.

## Agreed management response

### Management response:

The old website has now been updated to make it clear it has been superseded and a redirection link included. We are looking to transfer historic documentation over to the new website over the next couple of months to tidy this up.

### Action owner:

Governance Officer

### Timescale for implementation:

31 December 2019

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### Action Point 5 – Inspection of unaudited accounts

In order to increase transparency and availability of the unaudited accounts, Management should provide a link to the unaudited accounts on the home page of the IJB website, until they are replaced by the audited version.

### Management response:

The accounts were made available for consultation and were published on the IJB's website. This process is being reviewed and will be improved for next year including more widely publicising the accounts on line.

### Action owner:

Chief Finance Officer

### Timescale for implementation:

31 July 2020

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### Action Point 6 – Ringfenced allocations

As shown in the graph within the *IJB ringfenced allocations* (p.12), this balance has increased year-on-year since the formation of the IJB. Management should consider as part of their financial planning how ringfenced allocations are spent, ensuring this is done on a timely basis aligned with the purpose that they have been ring-fenced against. This will ensure effective use of resources and funds available to the IJB.

### Management response:

Updates on ringfenced allocations position are presented regularly to the IJB. Further detail and information will be presented on an ongoing basis to allow for more detailed discussion on use of these ringfenced allocations at future meetings.

### Action owner:

Chief Finance Officer

### Timescale for implementation:

30 April 2020

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# Follow up of 2017/18 external audit recommendations

We have completed follow up of our 2017/18 recommendations and this is reflected below for information.

## 2017/18 Recommendation

### PY Action Point 1 - Internal Audit

Currently the IJB only see relevant NHS Internal Audit reports, the IJB do not get anything from Council Internal Audit and there are potential areas of Council internal audit activity which could be relevant. Therefore, Council Internal Audit reports should go to the IJB Audit and Risk Committee for information and consideration, or the Council Internal Audit Plan should be presented as a minimum so the IJB Audit and Risk committee gets a complete picture of assurance activity relevant to the IJB.

## Agreed management response

### Management response:

Relevant Council Internal Audit reports will be brought to the IJB Audit and Risk Committee for consideration commencing with the Council and NHS 2018/19 Internal Audit Plans to the December 2018 meeting. This will be supplemented with quarterly meetings between NHS/Council/IJB Audit and Risk Committee chairs and Chief Internal Auditors

### Action owner:

The IJB Chief Internal Auditor

### Timescale for implementation:

December 2018

### Follow up:

Both the NHS Dumfries and Galloway and Council Internal Audit plans for 2019/20 were brought in full to the IJB Audit and Risk Committee in June 2019 detailing the commitment of resource from each side for the IJB audit work. Similarly both the NHS and Council annual Internal Audit reports and opinions are being brought to the September 2019 IJB Audit and Risk Committee to provide a balanced view of available assurances to the IJB Audit and Risk Committee. **Closed.**

# Fees, independence, fraud arrangements

## External Audit Fee

Service	Fees £
External Auditor Remuneration	17,200
Pooled Costs	1,670
Contribution to Audit Scotland costs	1,080
Contribution to Performance Audit and Best Value	5,050
<b>2018-19 Fee</b>	<b>25,000</b>

The audit fee was calculated in accordance with guidance issued by Audit Scotland and agreed with Management.

The above fee has not changed and our final fee was £25,000

## Fees for other services

Service	Fees £
We can confirm there are no non-audit fees for the 2018/19 financial year	Nil

## 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.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.

Although we are the external auditors of both the Health Board and the Council, we can confirm no independence concerns have been identified.

## 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](mailto:joanne.e.brown@uk.gt.com)). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

## Fraud arrangements

In assessing our audit risks, the audit team was alert to the possibility of fraud at IJB.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relation to management override of controls.
- Leading a discussion with those charged of governance (for IJB this is assumed to be the Audit and Risk Committee) on their view of fraud. We did this when presenting our audit plan and in the form of management and those charged with governance questionnaires
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit. – None were identified in-year

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

It is IJB's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we worked with IJB to review specific areas of fraud risk, including the operation of key financial controls.

We also examined certain policies in place, strategies, standing orders and financial instructions, as relevant to the fraud framework, to ensure that they provide a reasonable framework of internal control.

No suspected frauds or irregularities have been identified by Management and reported in-year.

## Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at the IJB we will report to the Auditor General as required by Audit Scotland.

# Communication of audit matters with the IJB

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
<b>We are independent of IJB and have not identified any conflicts of interest</b>		
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	•	•
<b>We have not incurred any non-audit fees during the year and no threats to independence identified</b>		
Significant matters in relation to going concern	•	•
<b>No significant going concern matters identified</b>		
Views about the qualitative aspects of IJB accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
<b>Set out in the Financial statements section of our report</b>		
Significant findings from the audit		•
<b>No significant findings from our audit</b>		
Significant matters and issues arising during the audit and written representations that have been sought		•
<b>Letter of representation will be shared and signed by the Chief Officer and IJB Board Chair when signing the financial statements. This is our standard, unmodified letter of representation.</b>		
Significant difficulties encountered during the audit		•
<b>No difficulties encountered</b>		
Significant deficiencies in internal control identified during the audit		•
<b>None identified</b>		
Significant matters arising in connection with related parties		•
<b>None identified</b>		
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
<b>None identified.</b>		
Non-compliance with laws and regulations		•
<b>None noted</b>		
Unadjusted misstatements and material disclosure omissions		•
<b>None noted. Minor disclosure amendments only and these were not material in nature</b>		
Expected modifications to the auditor's report, or emphasis of matter		•
<b>None, an unmodified opinion</b>		

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

We communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to IJB Management and the Audit and Risk Committee.

