

West Lothian Integration Joint Board

**Annual Audit Report to Members
and the Controller of Audit - year
ended 31 March 2021**

21 September 2021



EY

Building a better
working world

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of West Lothian Integration Joint Board (the IJB) for financial years 2016/17 to 2021/22. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients

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If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary: Key Conclusions from our 2020/21 audit

We issued an unqualified audit opinion on the IJB's 2020/21 financial statements

Financial Statements

We have concluded our audit of the financial statements of West Lothian Integration Joint Board (IJB or the Board) for the year ended 31 March 2021. No audit adjustments were required to be made and there are no unadjusted differences that we are required to communicate. The draft financial statements and supporting working papers were of a good quality, which is in line with previous years. We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate.

Overall, we were satisfied that the Annual Governance Statement, reflects the requirements of the *Delivering Good Governance Framework*, and the key changes in governance arrangements that were required as a result of changes to working practices due to Covid-19.

Scope update

We continued to review and update our risk assessment throughout the audit, including the materiality level applied. No changes were required as a result of this review.

In our Annual Audit Plan considered at the February 2021 Audit, Governance and Risk Committee meeting, we provided an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Plan we communicated that our audit procedures would be performed using an overall materiality of £2.6 million. We have assessed that this level of materiality remains appropriate for the actual outturn for the 2020/21 financial year. Performance materiality remains at 75% of overall materiality at £2 million.

Going Concern

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. Our audit procedures around going concern for this year have been completed with no material matters to raise.

Wider Scope and Best Value

We summarise the conclusion we reached in response to our work on the wider scope dimensions below.

We have drawn upon our wider scope work to conclude on the IJB's approach to Best Value.

In our view, the IJB has a framework to allow it to demonstrate that Best Value is being achieved. We are satisfied that the areas for improvement identified are adequately captured and monitored on a routine basis to support continuous improvement.

Financial Sustainability

The IJB has made significant progress in identifying the required savings through the remainder of its current medium term financial plan, with only £1.3 million unidentified required savings remaining through to March 2023 (2020: £7.2 million).

However, our conclusions around financial sustainability reflect the ongoing challenges facing the IJB and the associated risks around ensuring financial sustainability as it works towards its next MTFP, including Covid-19 and the potential impact of revisions to the IJB's working arrangements in the longer term.

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Governance and Transparency

The key features of good governance at the IJB are in place and operating effectively, and remained so throughout 2020/21 despite the impact of lockdown arrangements. The IJB has made material progress in addressing the outstanding areas for improvement highlighted in its 2019/20 governance statement. The IJB has continued to develop arrangements to support improved integration and partnership working.

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Financial Management

We are satisfied that the core financial management arrangements established by the IJB are appropriate for its current financial activities. The IJB is well placed to deliver against compliance with the CIPFA financial management code in its first year of mandatory adoption from 1 April 2021.

The level of general fund reserves has significantly increased as a result of additional allocations from the Scottish Government related to anticipated Covid-19 costs.

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Value for Money

The IJB's Annual Performance Report was published by 31 July 2021, in line with the standard national requirements. No delay was required as a result of the impact of Covid-19.

The Annual Performance Report highlights mixed performance, with improvement in areas related to people living independently and staff engagement, but lower performance around some key indicators including positive experiences of care and healthy living.

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1 Introduction

As a result of the impact of Covid-19, Audit Scotland and the Accounts Commission agreed to extend our appointment as external auditor of the IJB to 2021/22.

Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of West Lothian Integration Joint Board (the IJB or Board). Our appointment term has been extended by a further 12 months, to financial year 2021/22. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the IJB and the Controller of Audit, and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the IJB. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the IJB employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the IJB in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and Responsibilities

The Code sets out the responsibilities of both the IJB and the auditor (summarised in Appendix A).

Financial statements audit

We are responsible for conducting an audit of the IJB's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view of the financial position of the IJB as at 31 March 2021 and its expenditure and income for the year then ended; and
- ▶ whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. We outlined the significant risks and other focus areas for the 2020/21 audit in our Annual Audit Plan, which was presented to the audit, governance and risk committee on 24 February 2021.

One significant risk was identified in relation to the risk of fraud in expenditure recognition, which includes the risk of management override of controls. We continued to monitor the impact of additional costs as a result of the pandemic. The Scottish Government has met the costs incurred to date, along with an allocation carried forward for the financial year 2021/22. As a result, we have not identified any new financial risks but additional focus was given to significant disclosures, including how the annual governance statement captured key changes. In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 2 of this report.

We remain satisfied that the values reported in our Annual Audit Plan for planning materiality, performance materiality and our audit threshold for reporting differences remain appropriate.

Application of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £2.6 million. We have considered whether any change to our materiality was required in light of the financial impact of the response to Covid-19 and we remain satisfied that the materiality values reported within our Annual Audit Plan remain appropriate.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

Overall Materiality

£2.6 million

1% of the IJB's net expenditure

Performance Materiality

£2.0 million

Materiality at an individual account level

Reporting Threshold

£130,000

Level that we will report to committee

As we outline in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

Our wider scope work was informed by the West Lothian LAN. The LAN concluded that no additional scrutiny requirements were identified and that no local scrutiny plan was required.

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. Our plan was informed by a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the various councils. The LAN met on 5 March 2021 to discuss the 2021/22 shared risk assessment. The LAN concluded that no additional scrutiny requirements were identified and that no local scrutiny plan was required.

As a result of the nature of the IJB, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for money.

Our Annual Audit Plan identified one area of specific risk in relation to the wider scope dimensions, related to continuing financial pressures, including the uncertainty about the longer term impact on the IJB and its partners as a result of Covid19;

Our findings are summarised in Section 3 of this report.

Best Value

Our Annual Audit Plan outlined a requirement to comment on how effectively the IJB demonstrates that it meets its Best Value responsibilities. We noted that we would consider the IJB's arrangements against guidance issued by Audit Scotland, *Auditing Best Value - Integration Joint Boards (March 2018)*. We outline our findings and assessment for 2020/21 in Section 4 of this report.

Looking ahead

Independent Review of Adult Social Care

The delivery of social care support is currently the statutory responsibility of local government under the 1968 Social Work (Scotland) Act. The Scottish Government has a key role in setting policies and legislation on social care and therefore has a role in supporting improvement and ensuring positive outcomes for people across the country by having the right policy and legislation in place.

In February 2021 the *Independent Review of Adult Social Care* report was published. It concluded that whilst there were strengths of Scotland's social care system it needed revision and redesign to enable a step change in the outcomes for the people in receipt of care. The review provided a number of high level areas of focus:

- ▶ Ensuring that care is person-centred, human rights based, and is seen as an investment in society;
- ▶ Making Scottish Ministers responsible for the delivery of social care support, with the establishment of a National Care Service to deliver and oversee integration, improvement and best practices across health and social care services;
- ▶ Changing local IJBs to be the delivery arm of the National Care Service, funded directly from the Scottish Government;
- ▶ Nurturing and strengthening of the workforce; and
- ▶ Greater recognition and support for unpaid carers.

The Scottish Government launched a consultation on the review findings in August 2021. The outcomes of the review could have a significant impact on the work of the IJB, including accountability and funding arrangements.

CIPFA Financial Management Code

In 2019, CIPFA launched the Financial Management Code (the FM Code) to provide guidance for good and sustainable financial management in local authorities. Strong financial management is an essential part of ensuring public sector finances are sustainable. The FM Code provides guidance for good and sustainable financial management and will provide assurance that authorities are managing resources effectively. It requires organisations to demonstrate that the processes they have in place satisfy the principles of good financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

By complying with the principles and standards within the FM Code authorities will be able to demonstrate their financial sustainability. The FM Code came into effect from April 2020, in recognition of the pressures facing local authorities, 2021/22 will be the first full compliance year. This allows authorities a shadow year to work towards full implementation.



Financial Statements audit

Introduction

The annual financial statements provide the IJB with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted one area that we identified as a fraud risk relating to the presumed risk of fraud in revenue and expenditure recognition, including through management override of controls. For the IJB, we consider this risk to manifest itself as an expenditure recognition risk.

Compliance with Regulation

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the IJB to prepare financial statements, ensure their availability for public inspection and consideration by the board or a committee with an audit or governance remit.

Schedule 6 of the Coronavirus (Scotland) Act 2020 allowed the IJB to postpone submitting the unaudited financial statements to auditors and publishing the audited financial statements until it was reasonably practicable to do so. Despite the pandemic, the Board complied with the regulations and the normal timescale concerning preparation, publication and approval of its annual financial statements. We received the unaudited financial statements on 30 June 2021, in line with planned timescales.

The inspection notice was published by West Lothian Council, on the IJB's behalf, on 10 June 2021, in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

Audit Outcomes

We identified no audit difference arising from the audit. Our overall audit opinion is summarised on the following page.

The Regulations were amended to allow the IJB to delay preparation of the financial statements. However, the draft financial statements were submitted for audit in line with planned timescales. The inspection notice was published in accordance with requirements.

Our audit opinion

Element of opinion

Financial statements

- ▶ Truth and fairness of the state of affairs of the IJB at 31 March 2021 and its income and expenditure for the year then ended
- ▶ Financial statements in accordance with the relevant financial reporting framework and 2020/21 Code

Going concern

- ▶ We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting

Other information

- ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit

Matters prescribed by the Accounts Commission

- ▶ Audited part of remuneration report has been properly prepared.
- ▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.

Matters on which we are required to report by exception

Basis of our opinion

We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.

We are satisfied that accounting policies are appropriate and estimates are reasonable

We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.

We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis.

Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.

The Chief Finance Officer is responsible for other information, included in the financial statements.

We conduct a range of substantive procedures on the financial statements and our conclusion draws upon Review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector.

- ▶ Reviewing the content of narrative disclosures to information known to us.
- ▶ Our assessment of the Annual Governance Statement against the Delivering Good Governance Code.

We are required to report on whether:

- ▶ there has been a failure to achieve a prescribed financial objective,
- ▶ adequate accounting records have been kept,
- ▶ financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or
- ▶ we have not received the information we require.

Conclusions

We have issued an unqualified audit opinion on the 2020/21 financial statements of the IJB.

In accordance with the work reported on page 13, we have not identified any material uncertainties.

We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.

We have issued an unqualified opinion.

We have no matters to report.

Significant and fraud audit risks

Risk of Fraud in expenditure recognition, including through management override of controls

What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

As there is no material judgement associated with the recognition of the IJB's funding from West Lothian Council and NHS Lothian, we have determined that the risk of revenue recognition does not materialise within this area.

What judgements are we focused on?

For expenditure we focus on the risk in relation to the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners. There may be judgement in the timing of the recognition of expenditure.

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2020/21 our work included:

- ▶ We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services. Management present financial information to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the year end also made clear that the year end outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from West Lothian Council and NHS Lothian.
- ▶ Review of additional revenue streams and cut-off testing for additional income received as a result of the Covid-19 outbreak.
- ▶ As part of the year end process, the IJB obtained written confirmation statements from the Director of Finance at NHS Lothian and Chief Finance Officer at West Lothian Council of the spend by the respective bodies on delivering services, and hence their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- ▶ We obtained independent confirmation from the appointed auditor at both West Lothian Council and NHS Lothian of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.

Our conclusions

Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

Risk of management override

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of Fraud

- ▶ We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

- ▶ We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the IJB, which are hosted on the West Lothian Council financial ledger. All of the journals for the IJB's transactions were posted at the year end and we reviewed all transactions in the course of our work.

Judgements and Estimates

- ▶ We agreed with management's assessment that there are no material accounting estimates included in the financial statements. We confirmed the process for ensuring that there were no claims applicable to the IJB which required provision to be made as part of its participation in CNORIS (Clinical Negligence & Other Risks Indemnity Scheme).

Accounting Policies

- ▶ We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the IJB to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under IFRS or the Code.

Our conclusions

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity. CIPFA bulletin 05 (issued at closure of the 2019/20 financial statements) states that while there is likely to be a significant impact of Covid-19 on local authority financial sustainability, the rationale for the going concern basis of reporting has not changed.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the IJB and its financial sustainability. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements, including the expected impact on the Five Year Financial Plan.

The IJB received confirmation that the Scottish Government would meet all additional costs and unachieved savings associated with the pandemic. Further funding was also confirmed in February 2021 to provide additional support for winter pressures and ongoing costs. As a result, the funding exceeded the additional costs of Covid-19, and the balance has therefore been transferred to the IJB's reserves. This financial support has reduced the financial risk and uncertainty during the going concern period.

The IJB continues to prepare and submit mobilisation plans to the Scottish Government to reflect the expected impact on the financial position in 2021/22. The Integration Scheme sets out the process to be followed should the IJB overspend in any financial year. Where an unexpected overspend is likely, the Chief Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partners, to agree a recovery plan to balance the budget. Where this is unsuccessful and the IJB overspends at the year end, partners provide a voluntary additional one-off payment to reflect the level of overspend.

The IJB has therefore concluded that there are no material uncertainties around its going concern status and ultimately any costs will be met by the IJB's partners in line with the terms of the Integration Scheme.

Our conclusions

- ▶ We are satisfied that the IJB remains a going concern.
- ▶ We have worked with management to enhance the going concern disclosures within the financial statements.

Best Value and Wider Scope dimensions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value on page 26.

Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the IJB's arrangements for the four wider scope audit dimensions, and draw upon these assessments to form conclusions on the IJB's ability to demonstrate Best Value in its activities.

We apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. In doing so, we draw upon conclusions expressed by other bodies including the IJB's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

The Wider Scope dimensions

Financial Management:

- ▶ Considers the effectiveness of financial management arrangements, including financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial Sustainability:

- ▶ Considers the medium and longer term outlook to determine if financial planning is effective in supporting service delivery.

Governance and Transparency:

- ▶ Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.

Value for Money

- ▶ Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

Financial Management

We are satisfied that the core financial management arrangements established by the IJB are appropriate for its current financial activities. The IJB is well placed to deliver compliance with the CIPFA financial management code in its first year of mandatory adoption from 1 April 2021.

Significant uncertainty about funding was eased when the IJB received confirmation that the Scottish Government would fund all of the additional costs related to the pandemic. The level of general fund reserves has significantly increased as a result of additional allocations from the Scottish Government related to anticipated Covid-19 costs. These reserves have mostly been earmarked to meet the future costs of Covid-19, however the general uncommitted reserve has also increased significantly at the yearend to £1.084 million (2020: £nil).

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Financial Outturn

The IJB's financial outturn has been significantly impacted by the ongoing effects of the global pandemic. The IJB continued to submit mobilisation returns to the Scottish Government outlining the estimated financial impact of the pandemic on the partnership throughout 2020/21, totalling £9 million in the year, and another £8.2 million forecast in 2021/22 at the latest estimate point. Additional costs related to financial sustainability payments to social care providers and the staffing implications of sickness, shielding and requirements to self-isolate.

The IJB's yearend financial reporting (Exhibit 1) notes that an underspend against its final allocated funds for the year was recorded in the provision of services of £9.245 million. £8.2 million was transferred to earmarked reserves to cover the future costs related to Covid-19, while £1.08 million was transferred to general fund reserves at the yearend.

Exhibit 1: The IJB continued to record an overall underspend against budget in 2020/21

	Income £'000	Expenditure £'000	(Underspend)/ Overspend £'000
Health functions	226,724	224,420	(2,304)
Social Care Functions	69,353	62,412	(6,941)
TOTAL	296,077	286,832	(9,245)

Source: West Lothian IJB 2020/21 Financial Statements

Financial Monitoring throughout the pandemic

The IJB was set a balanced budget prior to the start of the financial year in March 2020, which included budgeted savings of £6.077 million split between adult social care, core health services, pan-Lothian hosted services and acute set-aside.

The IJB prepares its financial statement and budget monitoring reports by consolidating financial data from its partners; West Lothian Council and NHS Lothian. The IJB receives quarterly financial update reports through the year. High level financial performance information is provided with supporting commentary on key areas of movement. The IJB's forecast financial performance was consistent through the year with the exception of the significant variances identified resulting from costs related to the pandemic. This initially showed a significant overspend which was addressed by the additional Scottish Government funding received in advance of the yearend, resulting in the final position outlined.

Like other IJB's, general reserves have increased significantly in 2021/22. Unearmarked balances held as contingency or a general reserve for future uncertainty remains relatively low, at £1.08 million.

IJB Reserves Policy

Following a prior audit recommendation in 2019, the IJB last updated its reserves policy in January 2020 to ensure it reflected the size and scale of the IJB's responsibilities. The policy states a target level of uncommitted general reserves of £2 million, recognising that this target level of £2 million should be 'recognised as an optimum level of reserves to be established over a period of time, recognising the balance between prudent financial planning and budget funding constraints.' The value of reserves is now subject to annual review as part of the IJB's budget and strategic planning.

The level of general fund reserves has significantly increased as a result of additional allocations from the Scottish Government related to anticipated Covid-19 costs. These reserves have mostly been earmarked to meet the future costs of Covid-19, however the general uncommitted reserve has also increased significantly at the yearend to £1.08 million (2020: £nil).

CIPFA financial management code

In 2019, CIPFA launched the Financial Management Code ("the FM Code") to provide guidance for good and sustainable financial management in local authorities. The FM Code provides guidance for good and sustainable financial management and will provide assurance that authorities are managing resources effectively. It requires organisations to demonstrate that the processes they have in place satisfy the principles of good financial management.

The FM Code came into effect from April 2020, however 2021/22 will be the first full compliance year. The Board adopted the FM Code in March 2021 after consideration by the Audit, Risk & Governance Committee. This included a description of the current compliance by the IJB and the areas where improvement was required. It included a list of actions with associated timescales for implementation to continue to improve on compliance, all designed for completion by the start of 2021/22. The preparation undertaken by management indicates there is already significant compliance and the IJB is well placed to secure full compliance on time.

Financial Sustainability

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Our Annual Audit Plan identified a significant risk in relation to continued financial pressures facing the IJB. The IJB has made significant progress in identifying the required savings through the remainder of its current medium term financial plan, with only £1.3 million unidentified required savings remaining through to March 2023 (2020: £7.2 million).

However, our conclusions around financial sustainability reflect the ongoing challenges facing the IJB and the associated risks around ensuring financial sustainability as it works towards its next MTFP, including Covid-19 and the potential impact of revisions to the IJB's working arrangements in the longer term.

Significant progress has been made to address the remaining savings gap facing the IJB through to March 2023.

Medium Term Financial Planning

The IJB's 2020/21 budget was approved by the board in March 2020, and the updated Medium Term Financial Plan was approved at the following meeting in June 2020. At that time the IJB identified the need to make remaining savings through the MTFP period of £7.2 million.

Following work to address the savings required through the 2020/21 financial year, an updated MTFP was presented to the Board in June 2021, (exhibit 2) reporting that a total of £11.1 million of savings had been identified between 2021/22 and 2022/23 and only £1.3 million unidentified savings remained with the Lothian Health function budget.

Exhibit 2: The current MTFP projects a remaining budget gap at the end of the existing financial planning period to 2022/23 estimated at £1.3 million.

Projections	2021-22 £m	2022-23 £m	Total
Savings required	5.788	6.742	12.530
Savings identified	5.788	5.387	11.175
Unidentified savings	0	1.355	1.355

Source: West Lothian IJB MTFP, June 2021

The IJB receives quarterly monitoring reports on the progress of savings throughout the year. This includes a summary of budgeted savings against an updated forecast which helps drive the financial position forecast for the IJB for yearend. This allows the board to have visibility over areas which are behind expected progress and understand the implication.

Mobilisation Plan

As part of the Scottish Government's response to Covid-19, the IJB has worked with partners to submit mobilisation plans, outlining the immediate and medium-term financial impact. The most recent mobilisation plan was submitted by the IJB in July 2021 and forecast additional costs to date of £17.2 million. This is made up of £9 million costs recognised in 2020/21 and a forecast £8.2 million to be incurred in 2021/22, which will be met through existing earmarked reserves from funding received in 2020/21 and additional funding requirements of £2.8 million. Updated submissions are due to be provided to the Scottish Government through the financial year going forward.

While there is understandably a focus on the immediate financial position and outlook, longer term financial planning remains a key aspect of delivering on strategic objectives.

Strategic Planning

In April 2019, the IJB approved an updated Strategic Plan to cover the period to 31 March 2023, which sets out how the IJB intends to deliver the nine national health and wellbeing outcomes through agreed strategic priorities and transformational change programmes. The plan recognises that strategic planning for service delivery is intrinsically linked with longer term financial planning and sets out a requirement for partners to work with the IJB on the preparation of a medium-term financial strategy.

The Board has recognised the challenges around longer term financial planning in the current environment, which has been exacerbated by the current and forecast longer term impact of Covid-19. However, longer term financial planning remains pivotal to delivery of strategic objectives. With this in mind management's intention is to further develop the medium term financial plan during 2021/22 and develop a framework for integrated financial planning as part of the next IJB Strategic Plan covering the period 2023/24 to 2027/28.

Governance and Transparency

The key features of good governance at the IJB are in place and operating effectively, and remained so throughout 2020/21 despite the impact of lockdown arrangements. The IJB has made material progress in addressing the outstanding areas for improvement highlighted in its 2019/20 governance statement. The IJB has continued to develop arrangements to support improved integration and partnership working.

Work to update the Integration Scheme remains ongoing and is scheduled to be completed by the end of the calendar year following delays to the initial review timetable due to Covid-19.

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Local Code of Corporate Governance

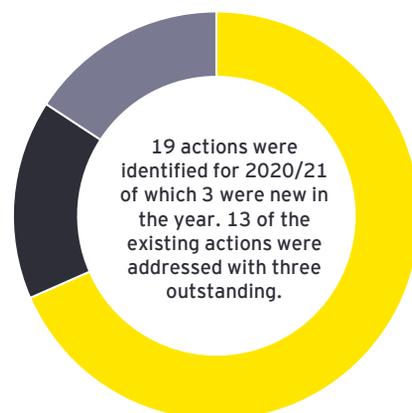
The IJB complies with the CIPFA framework for *Delivering Good Governance in Local Government*, in the preparation of its Annual Governance Statement (AGS). The AGS reports on the effectiveness of the governance framework throughout the financial year, and key areas of improvement for 2021/22.

As Exhibit 3 notes, 16 actions were completed by the June report presented to the Audit, Governance and Risk Committee by management, while three remained ongoing and three new recommendations were added to the action list.

The AGS demonstrates good practice in reporting on progress against priority improvement actions for the IJB.

Exhibit 3: Progress against governance priorities for 2020/21

- Complete
- Outstanding
- New in year



Source: West Lothian IJB Annual Governance Statement 2020/21

The IJB's internal audit assurance report provides substantial assurance in respect of risk management, governance and internal control.

Annual Governance Statement

We reviewed the Annual Governance Statement within the financial statements against the required guidance. The annual internal audit assurance report offers substantial assurance in respect of West Lothian IJB's overall arrangements for risk management, governance, and control for the year to 31 March 2021, and was not impacted by delays resulting from lockdown arrangements.

The Annual governance statement concluded that "Based on the Board's governance framework described in this statement the Board and the West Lothian community can be assured that the Board's corporate governance standards have been substantially met in 2020/21." It did note areas for ongoing improvement to be addressed going forward as part of its assessment and outlined these in the governance statement.

Covid-19 governance arrangements

Like all other public bodies in Scotland, the IJB moved to revised governance arrangements at the beginning of the UK lockdown period. The Board meeting scheduled for April 2020 was cancelled as a result of the pandemic, however, the rest of the planned meetings for 2020 and 2021 went ahead. A paper noting the cancellation of the April 2020 Board meeting due to Covid-19 was taken to the June Board meeting.

Audit Scotland issued guidance for Audit Committees in August 2020, drawing on their experience of auditing public bodies during the pandemic. It outlined key issues for consideration by Audit, Governance and Risk Committee during the Covid-19 pandemic. The IJB considered this guidance, and presented a paper to the Audit, Risk and Governance Committee in December 2020.

Audit Committee arrangements

The Audit, Governance and Risk Committee undertook a self-assessment of its effectiveness, with the results presented in December 2020. The majority of responses were positive with no respondent indicating they disagreed or strongly disagreed with any statement, an improvement on the 2019 survey results.

The IJB's main partners have arrangements in place to update the integration scheme as required, however this will require further review in the future.

Integration scheme review

Legislation requires that the Integration Scheme which governs the operations of the IJB is reviewed by the main partners, being West Lothian Council and NHS Lothian, at least every five years. A review was scheduled to have been concluded by June 2020, and had begun at March 2020, with the board being a formal consultee. Due to the impact of Covid-19 the review was not completed with Council and NHS resources prioritised for addressing the pandemic.

The current Integration Scheme will remain in place until the review process is completed and changes are approved by Scottish Ministers. An Integration Scheme oversight group has been established across the partners in Lothian with a timetable for review targeting draft proposals to the partner bodies in October and formal submission of the updated scheme to the Scottish Government by the end of 2021.

Management has determined that the operation of the board will not be affected in the short-term. However, the Integration Scheme in the longer term will have to be reconsidered to reflect the likely requirements of the Independent Review of Adult Social Care, and in particular the support services that the IJB will require from its partners.

Value for Money

The IJB's Annual Performance Report was published by 31 July 2021, in line with the standard national requirements. No delay was required as a result of the impact of Covid-19.

The Annual Performance Report highlights mixed performance, with improvement in areas related to people living independently and staff engagement, but lower performance around some key indicators including positive experiences of care and healthy living.

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Performance Reporting

The IJB receives a regular comprehensive Performance Report to support its focus on key performance issues and actions aligned to the Strategic Plan. This includes an update on key performance targets as they become available, including direction of travel and comparisons to national averages where possible.

The IJB presented a draft annual performance report to the Audit, Risk and Governance Committee and the IJB board in June 2021, noting that some of the nationally distributed information required for the report remained outstanding. Approval for publication was delegated to management to ensure the report could be finalised on receipt of the information and published in July in line with the national requirement to publish within four months of the financial yearend.

The Annual Performance Report highlights key areas of strategic priority investment and includes a range of performance measures against the outcomes included in its strategic plan as well as national outcomes, and comparisons to national average performance where possible. This year the performance report also included information specific to the Covid-19 response in the year.

The IJB's performance reporting highlighted the results of Scottish Health and Care experience survey, reporting that seven of the nine indicators reported scores for West Lothian marginally below the Scottish average. However the performance reported against the data from the latest available Scottish Morbidity Records noted improvements in 7 of the 10 key indicators, marginally above the Scottish average.

Where relevant, the report outlined the impact of Covid-19 and lockdown arrangements on both positive and negative performance trends, such as around movements in sickness rates and hospital waiting and discharge times.

Finally, the report included a summary of all inspections by regulatory bodies in the year, and in particular reported on the joint strategic inspection by the Care Inspectorate which was published in the year following a delay from the initial 2020 due date. The report evaluated two areas of focus as "adequate" and one area as "good".

Best Value: Our assessment

We have drawn upon our wider scope work to conclude on the IJB's approach to Best Value. We note that the IJB has a number of key characteristics of Best Value in place, including effective partnership working and robust governance arrangements. The IJB has considered its compliance with the Best Value Framework in the year and concluded that the IJB "has demonstrated substantial compliance with Best Value based on the Best Value Framework agreed."

In our view, the IJB has a framework to allow it to demonstrate that Best Value is being achieved. We are satisfied that the areas for improvement identified are adequately captured and monitored on a routine basis to support continuous improvement.

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Best Value Self Assessment

As auditor to the IJB, we are required to comment on how effectively, in our view, the IJB demonstrates that it meets its Best Value responsibilities to the Board.

Forming our judgement

In forming this judgement, we have drawn upon the work conducted in response to our wider scope responsibilities, and specifically:

- ▶ Our consideration of the IJB's financial planning processes;
- ▶ Governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- ▶ Our assessment of performance reporting to the board, and to the public via the Annual Performance Report 2020/21;
- ▶ The IJB's own Best Value framework, most recently updated and approved by the Board in March 2021.
- ▶ The IJB's self-assessment arrangements, including its arrangements to learn from others, and planned work to review strategic objectives against current performance; and
- ▶ The ability of the IJB to direct change to deliver its Strategic Plan through the level of integration and the effectiveness of Directions.

The IJB has considered its compliance with the Best Value Framework in the year, and in June 2021 submitted a review of compliance against the areas of best practice identified in the available guidance. The review concluded that, as in previous years, the IJB "has demonstrated substantial compliance with Best Value based on the Best Value Framework agreed." It was noted the areas for ongoing improvement identified were consistent with those identified in the Annual Governance Statement within the financial statements for 2020/21.

In our view, the IJB has a framework to allow it to demonstrate that Best Value is being achieved. We are satisfied that the areas for improvement identified are adequately captured and monitored on a routine basis to support continuous improvement.



Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the audit committee

D - Action plan

E - Follow up of prior year recommendations

F - Timing and deliverables of the audit

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Best Value

Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the IJB.

Matters that we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We are not aware of any inconsistencies between IJB's policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Audit Fees

	2020/21	2019/20
Component of fee:		
Total agreed auditor remuneration *	£18,850	£20,100
Agreed additional fees	-	£1,800
Audit Scotland fixed charges:		
Pooled costs	£1,790	£1,790
Performance audit and best value	£5,650	£5,360
Audit support costs	£1,040	£1,110
Total fee	£27,330	£28,360

* The expected fee for each body is a range set centrally by Audit Scotland, which assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2020 UK Transparency Report can be accessed on our website at https://www.ey.com/en_uk/who-we-are/transparency-report-2020. This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the IJB since appointment can be found at: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202021>

Appendix C: Required communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	<p>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>Annual Audit Report</p>

Required communication	Our reporting to you
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p>Subsequent events</p> <p>Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	<p>Annual Audit Report or as occurring if material.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>

Appendix D: Action Plan

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / implementation timeframe
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We have no new recommendations to raise as a result of our audit work in 2020/21. We have outlined the status of our prior year recommendations in Appendix E.

Appendix E: Prior Year Action Plan

This action plan summarises specific recommendations included within our 2020 West Lothian IJB Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	The IJB continues to forecast a significant budget gap through to the end of its MTFP in 2022/23 with no identified savings to address this.	Early identification of planned savings is critical to ensure delivery of balanced financial positions through the MTFP period. The IJB should ensure that a plan to address budget gaps through to 2023 is agreed with partners as soon as possible. <i>Grade 1</i>	Further development of the IJB's MTFP, including options to address the current budget gap to 2022/23, will be undertaken during 2020/21. In addition to existing arrangements in place with partner bodies and at wider Lothian level, the recently established West Lothian Health and Social Care Transformation Board will help ensure there is a joined up approach to financial planning. Responsible officer: Chief Financial Officer Implementation date: Ongoing throughout 2020/21 and updated MTFP to be reported to Board in first half of 2021, following the UK and Scottish Budget and confirmed funding settlements in relation to partner bodies. 2021 Audit Assessment: See follow up work on page 18 of this report. Recommendation addressed, however will be subject to ongoing monitoring through financial sustainability wider scope work in the future.

Appendix F: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the IJB, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2020/21 audit cycle.

	Audit Activity	Deliverable	Timing
JAN			
FEB			
MAR	<ul style="list-style-type: none"> Audit planning; setting scope and strategy for the 2020/21 audit LAN meetings held with other scrutiny partners 	Annual Audit Plan	March 2021
APR			
MAY			
JUN			
JUL	<ul style="list-style-type: none"> Year-end substantive audit fieldwork on unaudited financial statements 	Audit update and clearance meeting	August 2021
AUG			
SEP	<ul style="list-style-type: none"> Conclude on results of audit procedures Issue opinion on the IJB's financial statements 	Certify Annual Financial Statements Issue Annual Audit Report	September 2021
OCT			
NOV			

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