



Dumfries and Galloway Integration Joint Board

**External Audit Report for the financial year ended 31
March 2020**

Annual Report to the IJB Board and the Controller of Audit

Board Meeting – 23 September 2020

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Financial statements at a glance



The unaudited Annual report and accounts were presented for public inspection on 30 June 2020. In accordance with our annual external audit plan our audit work started on 10 August 2020. Due to the travel restrictions and social distancing measures introduced by the government in response to the Covid-19 pandemic, we delivered the audit remotely. We thank management for their support and assistance throughout the audit.



The Management Commentary is in line with our understanding of the IJB. The Governance Statement, included within the Accountability Report, outlines the governance framework in place and includes reference to the impact of Covid-19. The Remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) regulations 2014.



We have fulfilled our responsibilities per International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work. This final report to the IJB Board and the Controller of Audit concludes our work.

Delivering a quality
audit and adding
value



We intend to issue an unmodified audit opinion on the annual report and accounts, once approved for signing by the IJB Board.



Significant audit risks were: management override of controls, and the risk of fraud in expenditure recognition as set out in Financial Reporting Council's (FRC) Practice Note 10. In addition we considered an additional risk arising as a risk of Covid-19 and potential risk of misstatement in the annual report and accounts. Taking into account the nature of the IJB annual report and accounts we determined no significant audit risk but did tailor our approach and procedures where appropriate.



We updated our audit materiality to reflect your 2019/20 unaudited annual report and accounts setting materiality at £7.78 million. This represents 2% of the IJB gross expenditure, which was the benchmark set in our audit plan. Our performance materiality was set at £5.835 million, being 75% of overall materiality.

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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). Recognising we are the appointed auditors of NHS Dumfries and Galloway and Dumfries and Galloway Council (IJB Partners) we look to use our knowledge of both organisation, and our financial statement testing undertaken at both organisations.

Through this Annual Report we seek to provide insight and commentary over certain aspects of Dumfries and Galloway Integration Joint Board's (the IJB) arrangements, sharing practices with the Audit and Risk Committee and Management, where relevant.

We continue to look at our shared audit risk assessment across the IJB, the Council and the NHS to ensure our wider scope work across the three organisations is focused on individual and shared risks. This is a further area of focus for us when planning the 2020/21 external audits. We will look to proactively share our approach with all three organisations and the IJB Audit and Risk Committee when we present our audit plan.

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Introduction

Reporting

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2020.

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

Our report is addressed to the Integration Joint Board (IJB). In addition, in accordance with our reporting responsibilities, the report is jointly addressed to the Controller of Audit.

Once the signed annual report and accounts is laid in parliament this report will be made publicly available on the Audit Scotland website (www.audit-scotland.gov.uk).

Our report was presented as a draft to the IJB Audit and Risk Committee on 7 September 2020 and has been updated following those discussions, for this version being presented to the Board meeting on the 23rd of September alongside the annual report and accounts.

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

Structure of this report

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, relative to our identified wider scope risks. Our conclusions are set out in this final report, including a response to our wider scope risks identified within our audit plan.



Our Opinion

For the financial year ended 31 March 2020 we will issue an **unmodified audit opinion**:

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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

Materiality

Our audit approach was set out in our audit plan presented to the Audit and Risk Committee on 16 December 2019. We updated our audit materiality to reflect your 2019/20 draft financial statements setting materiality at £7.78 million representing 2% of gross expenditure. Our performance materiality has set at £5.835 million, being 75% of overall materiality.

Since issuing the draft audit plan, we have considered the risk in relation to the impact of Covid-19 pandemic on the IJB and the risk of material misstatement to the financial statements. The additional risk and our conclusions are reported within this report.

We report to management any difference identified over £250,000 (Trivial capped at £250,000 by Audit Scotland).

Status of the audit as at 8 September 2020

Our audit procedures over the IJB annual report and accounts are substantially complete. Our work will be finalised on receipt of the signed annual report and accounts and our signed letter of representation, on or after the Board meeting on the 23rd of September. At this point we will also confirm with management no post balance sheet events or subsequent matters arising.

Internal Audit

As set out in our external audit plan our audit approach is to comply with the ISAs and we did not place formal reliance on the work of the IJB's internal audit service during the year. NHS Dumfries and Galloway's internal audit team provides internal audit services to the IJB on an annual basis.

In 2019/20 it was planned that the Council's Internal Audit Team would work alongside the NHS Internal Audit Team (and appointed internal auditor for the IJB), commissioning a joint review of delayed discharges. This was to cover assurance on both Council and NHS arrangements. However, due to Covid-19 this work was delayed.

The Internal Audit opinion for 2019/20 was limited to assurances from the work performed within the partner organisations (Council and NHS).

In 2020/21 the IJB Audit Committee should continue to look for suitable assurances from the relevant internal audits completed at the NHS and the Council, which inform assurances over the IJB control environment. This would then allow the Chief Internal Auditor to focus on only the IJB Control arrangements, namely governance and risk management, at an IJB level.

Action Plan Point 1

The audit process

The unaudited accounts were published on 30 June 2020. In accordance with our annual external audit plan our audit work commenced on 10 August 2020. Due to the travel restrictions and social distancing measures introduced by the government in response to the Covid-19 pandemic, we have delivered the audit remotely. There were no adjusted or unadjusted misstatements to annual report and accounts.

We identified minor disclosure amendments which we discussed and agreed with management. These were minor in nature and are captured in Appendix 1 for information.

Internal control environment

During the year we had meetings with Management and attended the Audit and Risk Committee. 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, recording of financial transactions and other key entity level controls.
- Performed walkthrough procedures on key controls around identified risk areas including revenue, expenditure, journals and financial monitoring controls.

The IJB uses the systems within the Council and the NHS to manage its financial records. Council and NHS Management have provided assurances to the IJB that the charges for the services commissioned reflect the income and expenditure recorded in their respective financial systems, and that data held is complete and accurate. We have obtained independent confirmations from the Council and the NHS over the income and expenditure transactions recorded in the IJB annual report and accounts.

Our work over controls is limited to the ISA requirements, to support our understanding of an entity's control environment. Our audit is fully substantive in nature and does not rely on the design or operation of controls. Therefore no reliance is placed on the IJB controls for our audit purposes.

We identified no material weaknesses or areas of concern from our review of control design which would have caused us to alter our planned audit approach, communicated in our audit plan.

Responding to significant risks

Risk area	Identified audit risks at planning
Risk of fraud in Expenditure recognition – Operating expenditure is misstated or not treated in the correct period.	<p>As set out in the Financial Reporting Council's Practice Note 10 (revised) which applies to public sector entities, auditors of public bodies should consider the risk of misstatement in expenditure recognition. The IJBs material expenditure stream relates to Health and Social Care costs reflecting the services commissioned from Dumfries and Galloway Council (2018/19: £62.5 million) and NHS Dumfries and Galloway (2018/19: £305.5 million). The Integration Scheme provides that any underspend or overspend is retained/fully funded by the relevant partner body delivering the service, unless agreed with the IJB. Therefore, there is limited incentive for the NHS or the Council to under or overstate costs incurred.</p> <p>We therefore consider the risk to be prevalent on the timing of expenditure being recognised around the year end. There is a risk that expenditure may be misstated by the IJB (or partnering authorities) to support the IJB's outturn position in the current year or to support financial performance in future years by inappropriately accruing expenditure relating to 2020/21.</p>

Work completed

- Gained assurance over the adequacy of the design of controls in place over material expenditure streams
- Performed substantive testing (at an elevated risk level) on expenditure recognised post year end to identify if there is any potential understatement.
- Agreed year end expenditure testing to NHS and Council income records (in absence of bank transactions).
- Obtained confirmation from the NHS and the Council over total transactions during the year and balances outstanding as at 31 March 2020.
- Investigating accruals and deferred income around the year end to consider if there is any indication of understatement of balances. This included a review of accounting estimates.

Our conclusion

Based on our testing we conclude:

- We did not identify any exceptions in our cut-off testing of year end expenditure.
- We did not identify any exceptions in the completeness and accuracy of accruals, and deferred income. There are no provisions within the annual report and accounts.
- Through our substantive procedures we confirmed expenditure was in accordance with the nature and purpose of the IJB.

Risk area	Identified audit risks at planning
Management override of controls	<p>Asset out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the IJB's controls for specific transactions.</p> <p>We consider key judgements that are most susceptible to significant audit risk of override of controls in particular use of journals, incorrect application of financial reporting requirements and particular year-end treatment of balances (cut-off).</p>

Work completed

Accounting estimates:

We have assessed where there is an inherent increased risk of fraudulent misstatement or where senior officer bias could result in a material misstatement. For the IJB this primarily relates to accrued income or expenditure (cut-off). We reviewed estimations within the IJB annual report and accounts, which are limited, to ensure supported by a sufficient audit trail and in line with accounting requirements.

Journals/ financial recording testing:

We will evaluate journal transactions during the year. In response to the significant risk we:






- Assessed the adequacy of the design of controls in place to record and report on financial transactions and balances;
- Risk assessed the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. Tested our journals population to ensure appropriate, authorised and in line with the purpose of the IJB.
- We undertook targeted testing of transactions around the financial year end reviewing journals that we considered met the definition of large and/or otherwise appear unusual to understand the rationale for the transaction and accounting treatment.

Our conclusion




Based on our testing we conclude:

- There was no evidence of management override in our testing.
- The IJB's draft financial statements do not include any significant areas of estimation and judgement, which is what we would expect given our understanding of the IJB
- We have not identified any unusual or inappropriate transactions during the course of the year that would indicate management manipulation of the financial results

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Accounting policies	Application of IFRS and deferral of IFRS 16: Leases	The IJB's Accounting policies are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by Internal Financial Reporting standards (IFRS), unless legislation or statutory guidance requires different accounting treatment. These have been applied consistently to the previous year. No new International Financial Reporting Standards (IFRS) have been adopted in the year as the adoption of IFRS 16 for public bodies has been delayed by a year as a result of the Covid-19 pandemic. It is anticipated that IFRS 16 will have limited impact on the IJB when introduced.	 Green
Revenue recognition	Funding	The IJB is funded through funding contributions from the Council and the NHS. During 2019/20 the IJB received contributions of £383 million to deliver services during the year. Funding is based on the forecast level of expenditure the funding partners incur in delivering services commissioned by the IJB. Under the terms of the IJB any overspend incurred in delivering the services is met by either the Council or the NHS, depending on where the overspend was incurred.	 Green
Judgements and estimates	Key accounting estimates	Given the nature of the financial transactions undertaken by the IJB the financial statements do not include significant estimates or critical judgements. This is in line with our expectations and sufficiently disclosed in the annual report and accounts.	 Green
Uncertainties	Existence of material uncertainties	No uncertainties have been identified which would have an impact on the final annual report and accounts for 2019/20.	 Green
Going concern	Financial statement prepared on a going concern basis	The financial statements have been prepared on a going concern basis. The IJB has an agreed annual budget for 2020/21 with the Council and the NHS 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 service delivery model will significantly change over the next 12 months from the date of signing the opinion.	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Narrative elements of your annual accounts

In accordance with our responsibilities we review the narrative aspects of the annual report and accounts. We consider the consistency of this narrative with our understanding of the IJB and the financial statements and have set out our observations below. We also audit the required information set out 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 the IJB. The statement is clear and concise, and incorporates financial and operational performance for the year. Audit Scotland's Good Practice note on improving the quality of local government accounts: Integration Joint Boards, highlighted areas of good practice on IJB annual accounts. This included nine characteristics of good corporate reporting.

There is an opportunity for the IJB to review future financial reporting to potentially provide greater clarity on IJB performance in year, including context around financial overspends and also potentially have greater focus on mitigating actions to address concerns or risks facing the IJB. In addition, the narrative could be enhanced through the use of case studies. We note that Covid-19 impacted on what could be included this year, and this will be reviewed next year.

Overall Observations

We have not identified any inconsistencies between the annual report and the financial statements.

The Annual Report provides a summary of the key activities of the IJB during the year as well as strategic risks and priorities. The report also includes information on the impact of Covid-19 and the organisation's response. Looking forward there is an opportunity for the IJB to continue to enhance the annual report and accounts as we have highlighted within our observations on the management commentary.

Annual Report and Accounts include the Management commentary, Remuneration Report and the Governance Statement.

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.

Governance statement

The Governance statement has been prepared in accordance with the Local Authority Accounts (Scotland) regulations 2014. The statement is supported by Management and Committee assurances to the Board and the internal auditors' assurance over internal controls.

Wider scope key messages

The IJB is responsible for the strategic planning and commissioning of the functions delegated (health and adult social care), as set out in the agreed integration scheme. The IJB determines how to best use resources, to deliver delegated services to improve quality. This includes delivering the nine national health and wellbeing outcomes. The IJB commission services from the Council and NHS. The operational delivery of these services is delegated via the Health and Social Care Partnership.

The annual report and accounts show the total cost of IJB services for 2019/20 was £389 million, with net expenditure of £5.887 million. This outturn (net expenditure) was in line with the financial plan. This included the planned use of earmarked reserves, for the purposes intended, including primary care transformation funding. Earmarked reserves as at 31 March 2020 were £2.5 million, of which £2.3 million relates to Adult Social Care funding.

The net expenditure position was achieved in-year through additional funding of £4.774 million being provided by the NHS. Under the agreed financial model, within the integration scheme, overspends within delegated budget areas are picked up by the partner organisation who incurred the overspend. An overspend was incurred due to higher than forecast expenditure in year, reflecting the demand led nature of services. In addition, delayed discharges continued to create a budget pressure.

The IJB reviews financial performance and sets the budget on an annual basis, taking into account the NHS and Council allocated funding. In accordance with the integration scheme, the partner organisation where an overspend occurs has to provide additional funding to cover the in-year overspend. Given the NHS contributes the largest source of funding to the IJB, and provides substantial delegated services, to date it has been the NHS who has been required to provide additional in-year funding. Increasingly the IJB is facing financial sustainability challenges as it becomes harder to deliver services within the financial envelope agreed. Whilst savings in-year are achieved, these can be non-recurring in nature and both partner organisations are also facing significant financial pressures. Regardless of the funding, it continues to be key that both the NHS and Council continue to work together to redesign the services provided, to provide increased care in a community setting which then supports the financial funding available. To do this, transformation is required and this is acknowledged in the IJB strategic planning.

During 2019/20 the Integration Scheme was reviewed by the IJB, the Council and the NHS. This review was in part impacted by Covid-19 and the IJB has agreed a further review will take place in 2020/21. This review will be linked with the IJB strategic plans and wider financial and service transformation plans. To date both the Council and NHS are comfortable with the financial model in place although further integration is planned.

	2019/20 £ million
Initial Partner funding Contributions	378.364
Additional in year finding from NHS Dumfries and Galloway to support overspend	4.774
Total Partner funding contributions	383.138
Gross expenditure incurred commissioning IJB services	(389.025)
Total Comprehensive Net Expenditure	(5.887)
Opening Earmarked reserves	8.427
Use of earmarked reserves (expenditure)	(5.887)
Closing Earmarked reserves	2.540

Wider scope significant risks identified in the audit plan

Within our annual audit plan we identified two significant wider scope risks: financial sustainability and delivering performance targets in a backdrop of financial challenge. The risk identified at planning and out conclusion is set out below.

Financial Sustainability (Wider scope risk one)

The IJB faces significant challenges in the short to medium term. There is a risk that in order to meet short term financial pressures, the IJB does not develop a financially sustainable service model. This risk is heightened by the absence of a medium to longer term financial strategy.

Audit response to significant wider scope risk

We will review the work done by the IJB through the Transformation Programme and other savings initiatives to deliver the 2019/20 financial plan, considering the extent to which these were delivered through recurring savings.

External Audit Conclusion

The IJB continues to face financial challenge. The IJB, as set out in the annual budget, needs to deliver savings of £22.6 million in 2020/21. The budget set takes into account forecasted rising demand for services and ongoing cost pressures experienced in delivering services to date. Annually, whilst the IJB has achieved the budget set this has been through non-recurring savings which are becoming increasingly difficult to achieve.

In 2019/20 the NHS contributed an additional £4.774 million to take into account an overspend against the IJB budget. This is the third year the NHS have been required to contribute additional money in year. This is in a context where the NHS themselves face significant financial challenge and the likelihood of breaking even in year becoming more uncertain.

The IJB are committed to transforming services. However, this would need to be done at a pace to ensure future financial sustainable services can be provided and would require a fundamental shift in how adult health and social services are provided, which would need be supported by a suitable level of national funding, to deliver on the health and social care policy commitments.

The level of savings the IJB needs to deliver year on year is becoming increasingly difficult. The IJB will be further impacted by Covid-19 in terms of cost and ability to deliver and transform services. There is insufficient funding within the NHS and the Council to allow the IJB to achieve its strategic objectives.

Governance and transparency (wider scope risk two)

It is important that the IJB has in place and can demonstrate good governance. During 2019/20 these arrangements will continue to be developed. It is important that the IJB has sufficient oversight and governance arrangements in place to support the delivery of the strategic objectives.

The IJB continues to develop its strategic approach to risk management and the framework in place to identify, manage and monitor risks. Effective oversight and scrutiny will rely on the timely information from both the Health Board and Council.

Audit response to significant wider scope risk

We will assess the extent to which the IJB demonstrates effective governance and scrutiny arrangements. We will assess the progress made by the IJB in developing and implementing its risk management strategy and supporting risk management framework around these.

External Audit Conclusion.

The IJB has established governance arrangements. The IJB has established three committees to support the operation of the Board: Performance and Finance; Clinical and Care Governance (CCGC); and Audit and Risk.

- The CCGC provides assurance to the IJB of the quality and safety of the services commissioned via the IJB and ensures that quality monitoring and governance arrangements are in place for the range of delegated functions.
- The Performance and Finance Committee monitors in detail financial and performance data, including IJB financial savings plans
- The Audit and Risk Committee considers and scrutinises audit and risk related matters, including the draft IJB financial statements.

All committees met four times during 2019/20 and the minutes provided to the IJB meetings to support the governance framework. Overall the governance arrangements are well established and operate effectively.

As a result of Covid-19 temporary governance arrangements were established. These temporary arrangements continued to be reviewed, including reviewed in respect of Scottish Government guidelines. These arrangements still allowed for good governance in a period of disruption, and the principles of governance were retained. Looking forward, as the re-mobilisation phase commences the IJB should ensure, where needed, any decisions are ratified appropriately by the IJB Board and a plan is in place to re-establish governance arrangements, where appropriate and in line with guidelines. Action Point 3.

Risk management arrangements were further developed during 2019/20 and continue to be a focus of the Audit and Risk Committee. The Chief Officer has commenced a review of the risk strategy. Previously the risk register included IJB, NHS and Council risks. Looking ahead, the risk register will focus on the strategic risks impacting on the IJB only, and review the underlying assurance framework to ensure assurance is sought and provided by the NHS and the Council, over the management of the partner risks, where relevant to the IJB. Whilst this work was impacted by Covid-19 a plan is in place which will enhance the IJB risk management framework.

Overall the governance arrangements are well established and operate effectively. Governance arrangements during Covid-19 were appropriate to allow for effective decision making. Going forward these should be re-established, in line with Scottish Government guidelines and ensure there is continued to openness and transparency.

Demonstrating best value (wider scope risk three)

Best Value is ensuring there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for the public. The duty of Best Value applies to all public bodies, including the IJB. While not directly delivering services, it is essential that the IJB is able to demonstrate and evidence the achievement of best value, including respective assurances from the Council and the NHS.

Audit response to significant wider scope risk

To support our wider scope audit, we will consider the extent to which the IJB continues to progress the full integration of health and social care services. This will include how the IJB assesses the delivery of best value.

External Audit Conclusion

The Integration scheme review commenced during 2019/20 and will be concluded By October 2020. This review is a review of existing arrangements with the aim of making enhancements, based on how the IJB is operating in practice, and not a new integration scheme. Both the Council and the NHS are committed to the success of the IJB, and the IJB achieving its strategic priorities. Working in partnership to explore new service delivery models, and transferring adult social care out of a hospital setting into the community. Whilst the funding mechanism will support financial integration, the underpinning operational models will be the key driver to changing the way adult health and social care services are delivered.

The IJB and the committees monitor performance regularly and has a performance reporting framework established. This includes quarterly performance reports to the Board, bi-annual reporting to four Area Committees, focused on the implementation of agreed locality plans.

Quarterly the IJB report against the agreed 17 performance indicators. Performance reports include monthly comparison of performance, reporting against target and likely trajectory of performance. As at 31 March 2020 the IJB were meeting or exceeding agreed targets for 5, were within 3% of agreed targets for 2, and for the remaining 10 were more than 3% away from meeting agreed targets.

Whilst this shows there are areas for performance improvement for the IJB, it is acknowledged that the IJB's response to the COVID pandemic commenced in March 2020 and as such, many services were reduced and/or delivered in alternative ways impacting upon the performance figures reported.

Annually the IJB produces a performance report summarising annual performance, which is a statutory requirement. Typically this is published in July each year. However the Coronavirus (Scotland) Act 2020 allowed public bodies to postpone compliance with statutory duties if this would impact on the organisations response to Covid-19. Currently the revised date for publication is September 2020. However, it is anticipated this report will show the initial impact of Covid-19 on the IJB performance, and this deterioration in performance compared with targets will continue into 2020/21

Included in the IJB Annual Performance report is a statement on how the IJB discharges its responsibilities to achieve best value. This assurance is gained, from arrangements at the Council and the NHS. Looking ahead to 2020/21, linked to wider assurances provided to the Audit and Risk Committee by internal audit, this could be done via a more formalised self-assessment, pulling respective assurances together including those specific to the IJB. *See Action Point 1 in Appendix 2.*

The IJB Performance management framework is appropriate. Performance reporting is clear against the 17 performance indicators established. The IJB assesses how it achieves best value. Going forward, continued assurance should be obtained from the NHS and Council, to support the IJB best value assurances and this can be documented more explicitly.

Further wider scope commentary

In this section of our report we include additional wider scope commentary and conclusions, in addition to the wider scope risks we have concluded on, in pages 12 to 14.

Financial plans and sustainability

The IJB has a three-year Financial Plan (2020/21 – 2022/23). A break-even outturn is forecast for 2020/21 but this does include the delivery of agreed savings in-year. Set out in the table below is the forecast financial position for 2020/21, agreed at the start of the financial year.

During 2020/21 £22.623 million of savings will need to be achieved. In 2019/20 £11.171 million of savings were not delivered on a recurring basis so have been carried forward into 2020/21. This combines with the in-year savings identified of £11.452 million. As at August 2020 the IJB had identified £9.559 million of savings leaving a gap to address throughout the remainder of the financial year of £13.064 million. This will be difficult to achieve and it is acknowledged significant work is still ongoing to identify the savings required.

Continued areas of cost reduction include reviewing locum and agency costs, medicine costs and supply, procurement and a focus on non-clinical service efficiencies.

A longer term programme of savings will be required if the IJB is to remain financial sustainable in the future.

	NHS Allocation £ million	Council Allocation £ million	Total Allocation £ million
Opening Baseline Position 2020/21	323.325	75.729	399.054
Pressures and Uplifts	17.895	5.979	23.874
Less Social Care fund release	-	(1.467)	(1.467)
Less additional funding for uplift	-	(0.086)	(0.086)
Total Savings targets	(21.333)	(1.290)	(22.623)
Total	319.887	78.951	398.838

Savings programme

Of the savings identified to date £7.059 million are captured as recurring savings, as set out in the Sustainability and Modernisation (SAM) programme. The balance, £2.5 million will be achieved in 2020/21 on a non-recurrent basis for example managing in-year staff vacancies. The SAM programme aims to improve workforce and financial resilience and is an NHS programme, covering NHS and the functions delegated to the NHS from the IJB. The programme has four workstreams: modernisation and transformation; Clinical Efficiency; Workforce; and Finance. The progress of the SAM programme is regularly reported through the IJB Performance and Finance Committee.

The IJB budget for 2020/21 was created prior to the Covid-19 pandemic and therefore does not reflect additional costs arising due to Covid-19. In addition to the increased costs, service as usual has been disrupted, including the ability to focus on the SAM programme and delivering the wider service change programme. It is expected that this disruption will continue throughout 2020/21. Additional costs due to Covid-19 are being captured by the NHS and the Council and reported to Scottish Government and COSLA respectively. Additional funding, and any likely future impact on the agreed budgets has not yet been determined.

The IJB Strategic Plan

As required by the Public Bodies (Joint Working) (Scotland) Act 2014, each Integration Authority is required to prepare a Strategic Plan. The IJB's Health and Social Care Strategic Plan has been developed through consultation with a range of stakeholders including: people who use the services, carers, members of the public, individuals who work in health and social care, and independent sector partner organisations. The plan sets out the key challenges, priority areas of focus, and IJB commitments over the three-year period covering 2018-2021.

It is a requirement that Integration Authorities review their strategic plans at least once in every relevant period (2018-2021). The IJB has formally reviewed the position and agreed to retain its existing plan. This decision was supported by the IJB's Strategic Planning Group which is responsible for shaping and influencing the development of strategic plans. Consultation on the development of the next Strategic Plan is planned to commence during 2020/21.

Openness and Transparency

The IJB published the unaudited accounts for 2019/20 in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These were made available on the Council and the NHS websites via the IJB June 2020 meeting papers. To further increase transparency it is recommended that a link is included on the IJB website, within the "useful documents" section, as similar reports are located here. In addition, the annual report and accounts once finalised should be made available to the public via the website. Currently, the 2017/18 annual report and accounts are on the website but not the 2019/20 one. There is a further opportunity to re-review the content of the IJB website and how this can be used to further share, publicly the work and performance of the IJB.

See *Action Plan – 2018/19 follow up point 4*

Appendices

- Audit adjustments
- Action plan and recommendations
- Follow up of prior year recommendations
- Audit fees and independence
- Fraud arrangements
- Communication of audit matters

Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no material corrected or unadjusted misstatements to the financial statements arising during our audit.

During the course of our audit work we identified a minor disclosure adjustments to the draft financial statements. The following are those adjustments that have now been reflected in the final annual report and accounts. All disclosure amendments were accepted.

Item	Description	Adjusted
1	Annual governance statement	Minor disclosure amendments
2	Remuneration report	Minor changes to enhance disclosure information contained within the report
3	Annual report	Some minor disclosure changes to the financial statements
4	Accounting policies	Minor changes to accounting policies to reflect the specific arrangements in place at the IJB

Action plan

We have set out below, based on our audit work undertaken in 2019/20, our recommendations arising from our work

Recommendation

Agreed management response

1. Assurances from work undertaken at the NHS and the Council, including best value assessment

The two internal audit teams (Council and NHS), should continue to work together as planned to ensure the IJB Audit and Risk Committee is sighted additional control assurance that is provided to the NHS or Council, relevant to the IJB control environment. This will support the work of the IJB Audit and Risk Committee and the annual governance statement.

In addition, to support the IJB assurance over how the IJB ensures it delivers best value, assurance specifically over best value should be formally sought from the Council and NHS. This would support the IJB's best value assessment.

Management response: Although a joint audit was not completed, audit assurances for 2019/20 have been enhanced with a statement of assurance from the Council Internal Audit Manager which has been considered in the overall assurances available for the IJB. It has been agreed that joint assurance work will be a focus moving forward and will be factored into both the NHS and Council audit plans.

Action owner: Head of Internal Audit
Timescale for implementation: June 2021

2. Financial sustainability

Work should continue, via the SAM programme, to identify and deliver recurring savings for 2020/21 and beyond. The work of the SAM programme will also support service delivery transformation.

Management response: The Partnership continues to work on its Sustainability and Modernisation Plan and this has been established as part of the Covid recovery and remobilisation work.

Further work will be progressed through the development of the Financial Plan for 2021/22

Action owner: Chief finance Officer
Timescale for implementation: June 2021

Recommendation

3. Governance arrangements

As the remobilisation and recovery phase evolves, depending on Scottish Government guidelines, the IJB Committees should be re-established. This includes the IJB being as open and transparent in its decision making, and ensuring relevant information is publicly available.

Agreed management response

Management response: During this time frame no decisions out with the IJB required to be taken.

It is anticipated that the IJB will resume the routine scheduling of Committees and all other meetings and workshops within the next couple of months.

The IJB recommenced in April 2020 and held regular meetings. Also during this time, IJB members, were kept informed of the Covid19 situation as well as any other relevant information via weekly communication.

At this time the IJB meets via Microsoft Teams and it is anticipated this will continue for the foreseeable future.

Action owner: Governance Officer

Timescale for implementation: October 2020

Follow up of 2018/19 recommendations

We set out below our follow up of our 2018/19 recommendations and these are reflected below for information.

Recommendation

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.

Initial 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.

Follow up - Closed

The IJB has developed a three-year Financial Plan covering 2020/21 – 2022/23 which includes the delegated budget from the health board and the local authority.

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.

Initial 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

Follow up – Closed.

3. Committee minutes not reported to the 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

Initial management response

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

Follow up – Closed

Governance arrangements have been revised to ensure that minutes of IJB Committees were submitted to the Integration Joint Board for consideration and noting.

Recommendation

4. New website

The new IJB website (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.

Initial 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

Follow up – Ongoing

The new website has been updated during the year. However, to increase transparency and availability a link should be provided within the accounts section on the 'Useful Documents' page of the IJB website where similar reports are located. In the accounts section, only the Annual Accounts for 2017-18 were available. Furthermore, there was no performance reporting available for 2018/19 and 2019/20 at the designated performance reporting page on the IJB's website. As with the annual report, these could be located via the IJB committee papers but to enhance transparency, the IJB should ensure that the website is maintained and up to date with all relevant documents easily accessible in the designated area of the website.

Updated management response: To ensure a consistent approach across the Health and Social Care Partnership a meeting will be organised with the Communication and Engagement Manager to ascertain how we can ensure that someone is given the responsibility for ensuring that the website is maintained and this is completed timeously.

Action owner: Governance Officer

Timescale for implementation: 31 December 2020

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.

Initial 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.

Follow up – Closed

6. Ringfenced allocations

The IJBs ringfenced allocation 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.

Initial 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.

Follow up – Complete

During 2019/20 the IJB as a result of agreed spend against the reserves the IJB reduced ringfenced allocations from £8.4 million as at 31 March 2019 to £2.5 million as at 31 March 2020. The use of the reserves included supporting the Primary Care Transformation and Mental Health Action programmes. The residual balance are fully committed against the delivery of services that they were originally allocated to.

Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	18,300
Pooled costs	1,780
Contribution to Audit Scotland costs	5,360
Contribution to Performance Audit and Best Value	1,100
2019/20 Fee	26,540

Fees for other services

Service	Fees £
We confirm that for 2019/20 we did not receive any fees for non-audit services	Nil

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact 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.

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 Financial Reporting Council'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 Financial Reporting Council'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.
- We can confirm no independence concerns have been identified.

Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at Dumfries and Galloway 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 relations to management override of controls.
- Leading a discussion with those charged of governance (for Dumfries and Galloway IJB this is assumed to be the Audit and Risk Committee) on their view of fraud. Typically we do 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.

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.

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 NHS Dumfries and Galloway we will report to the Auditor General as required by Audit Scotland.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is Dumfries and Galloway 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 work with Dumfries and Galloway IJB to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

Communication of audit matters

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 below.

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 Confirmed, no matters to report.	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern None identified although commentary included on financial sustainability alongside going concern commentary.	•	•
Views about the qualitative aspects of Dumfries and Galloway IJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures Included within the report.		•
Significant findings from the audit Included within the report		•
Significant matters and issues arising during the audit and written representations that have been sought Included in this report and letter of representation obtained at date of signing.		•
Significant difficulties encountered during the audit None identified.		•
Significant deficiencies in internal control identified during the audit None identified.		•
Significant matters arising in connection with related parties None identified.		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements. None identified.		•
Non-compliance with laws and regulations None identified		•
Unadjusted misstatements and material disclosure omissions Reported in Appendix 1 of this report.		•
Expected modifications to the auditor's report, or emphasis of matter. None identified		•



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit reporting process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the entity or all weaknesses in your internal controls.

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