



Dumfries and Galloway Integration Joint Board

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

Annual Report to the Board and the Controller of Audit

Draft report for the Audit and Risk Committee – 7 September 2020

Joanne Brown
Engagement Leader

John Boyd
Audit Director

Fraser Hoggan
Audit Associate



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 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. We thank management for their support and assistance throughout the audit.



The Management Commentary is in line with our understanding of the IJB and in particular their vision and strategic priorities. The Governance Statement, included within the Accountability Report, outlines the governance framework. 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 Board and the Controller of Audit concludes our work.



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.

An audit
underpinned by
quality and adding
value to you



We updated our audit materiality to reflect your 2019/20 draft financial statements setting materiality at £7.78 million for the IJB representing 2% of gross expenditure. Our performance materiality has set at £5.835 million, being 75% of overall materiality.



We [plan to] issue an unmodified audit opinion on the annual report and accounts.

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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). By ensuring our audit is efficient and effective, underpinned by our quality arrangements, gives you assurance over our opinion.

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 relevant practices with the Audit and Risk Committee and Management.

As appointed auditors of the IJB, Dumfries and Galloway Council and NHS Dumfries and Galloway we have looked to develop a shared risk assessment across the bodies. Our reporting to the IJB reflects the strategic role the organisation in the integration of health and social care services. Our annual reports to NHS Dumfries and Galloway and Dumfries and Galloway Council focus on the tactical and operational arrangements in place to deliver these services and ultimately the wider IJB strategy.

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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 will be presented as a draft to the IJB Audit and Risk Committee on 7 September 2020 and will be finalised for the IJB Board meeting on 23 September 2020.

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

Structure of this report

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.

Our conclusions on wider scope risks identified in the audit plan are set out in the relevant wider scope sections of this report.



Our Opinion

For the financial year ended 31 March 2020 **we plan to 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 and finalised on 31 March 2020. We updated our audit materiality to reflect your 2019/20 draft financial statements setting materiality at £7.78 million for the IJB 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).

Materiality

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

Status of the audit as at 20 August 2020

Our audit procedures over the IJB accounts are substantially complete subject to the following audit procedures:

- Final disclosure review of the financial statements;
- Subsequent events;
- Management representations;
- Completion of audit assurance procedures from Dumfries and Galloway Council.
- Engagement leader file review

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 functions to provide internal audit services on behalf of the IJB.

During 2019/20 the internal audit functions intended to undertake a joint assurance review on behalf of the IJB covering delayed discharges. However, due to the outbreak of Covid the review was not completed. The overall assurance to the IJB are therefore limited to assurances from the internal audit functions based on the work performed across each of the statutory funding partners. Going forward, the IJB should look to utilise internal audit to obtain assurances over systems of internal control, risk and governance arrangements directly relating to the IJB.

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 the draft primary financial statements (subject to completion of outstanding testing).

We identified minor disclosure adjustments in respect of the draft financial statements including disclosure of financial instruments in the financial statements.

See detail set out in Appendix 1.

Internal control environment

During the year we have 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 procedures around entity level controls and there are no significant matters that we wish to draw to your attention.
- Performed walkthrough procedures on key controls around identified risk areas including revenue, expenditure and financial monitoring controls.

The IJB uses the systems within the statutory partners to manage its financial records. Development and maintenance of these systems is undertaken by the Council and Health Board as part of the operational delivery of the Health and Social Care Partnership. Both entities have provided assurances to the IJB that the charges for the services commissioned reflect the income and expenditure recorded in their financial systems and that they are complete and accurate, reflecting appropriate charges. We have obtained independent confirmations from both partners over amounts incurred.

Our work over controls is limited to our ISA requirements in understanding an entities control environment. Our audit is not controls based and we do not place reliance on controls operating effectively as our audit is fully substantive in nature. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Responding to significant risks

Risk area	Identified audit risks at planning
Risk of fraud in Expenditure recognition	<p>Operating expenditure is misstated or not treated in the correct period (risk of fraud in expenditure). 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 IJB expenditure reflects the services commissioned from partner bodies and reflects the costs incurred by these parties in delivering those services. The Integration Scheme provides that any underspend is retained by the relevant partner body delivering the service i.e. Health Board / Council, unless agreed with the IJB. Likewise, any overspend incurred in delivering the service is borne by the Health Board or the Council on the same principles. Therefore, there is limited incentive for either of these parties to under or overstate costs incurred. We therefore consider the risk to be prevalent on the timing of expenditure being recognised around the year end as this is the areas most susceptible to potential manipulation by the IJB. There is a risk that expenditure may be misstated by the IJB (or partnering authorities) to support the IJBs 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	
<ul style="list-style-type: none">• Gained assurance over the adequacy of the design of controls in place over material expenditure streams• Performed substantive testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement.• Agreed year end expenditure testing to NHS Dumfries and Galloway and Dumfries and Galloway Council income records (in absence of bank transactions).• Obtained confirmations from NHS Dumfries and Galloway and Dumfries and Galloway 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 held through consideration of the accounting estimates	
Our conclusion	
<p>Based on our testing we conclude (subject to testing being complete and reviewed):</p> <ul style="list-style-type: none">• 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, deferred income or provisions balances at the year end.• Through our substantive procedures and sample testing we confirmed expenditure testing was in accordance with the nature of NHS Dumfries and Galloway (regularity).	

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 (senior officers) 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 those key judgements that are most susceptible to significant audit risk of senior officers override are those over expenditure recognition. These are areas where senior officers have the potential to influence the financial</p>

Work completed

Accounting estimates:

In assessing the risk of management override, consider those key accounting estimates and judgements that could impact on the organisation's financial results and where there is an inherently 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. Where material, we reviewed these areas of estimation to ensure reasonable and agreed to supporting documentation to address the risk of fraudulent misstatement.

Journals/ financial recording testing:

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






- Assessed the adequacy of the design of controls in place to record and report on financial transactions and balances;
- Will risk assess 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. We will test these journals to ensure they are appropriate and that suitably recorded in the financial ledger;
- We will perform targeted testing of transactions around the financial year end reviewing those journals that are large or otherwise appear unusual to understand the rationale for the transaction and accounting treatment.

Our conclusion




Based on our testing we conclude **(subject to review of testing)**:

- There was no evidence of management override in our testing.
- The IJB's draft financial statements do not include an significant areas of estimation and judgement. Given the nature of the IJB transactions there is limited areas of estimation.
- We have not identified any unusual or inappropriate transactions during the course of the year that would indicate management manipulation of the financial results. We have confirmed that there is limited opportunity or indication of Management inappropriately recording transactions in the partner organisations' ledgers in order to misstate the IJB results.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Accounting policies	Application of IFRS and deferral of IFRS 16: Leases	NHS Dumfries and Galloway'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 required 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.	 Green
Revenue recognition	Funding	The IJB is funded through funding contributions from the statutory funding partners: Dumfries and Galloway Council and NHS Dumfries and Galloway. 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 would be met by relevant statutory funding partner.	 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.	 Green
Uncertainties	Existence of material uncertainties	No uncertainties have been identified which have an impact on the final annual report and accounts.	 Green
Going concern	Financial statement prepared on a going concern basis	As set out in the IJB's Accounting Policies, the financial statements have been prepared on a going concern basis. The IJB has an agreed budget from NHS Dumfries and Galloway and Dumfries and Galloway Council and provides a specific function in the area governed by the agreed Integration Scheme. We have no reason to think this level of funding or Scottish Government commitment to the IJB structures will significantly change over the next 12 months from the date of signing the opinion.	 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 have reviewed your narrative aspects of the Annual Accounts and Report. We have considered the consistency of this narrative with our understanding and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited) and have no matters we wish to bring to your attention.

Management commentary

The Management Commentary is in line with our understanding of the IJB. The statement is clear and concise, and incorporates both financial and operational performance during 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: A single story; how funding was used; what worries board members; consistency; cut-the-clutter; clarity; summarise; explain change; and, true and fair. 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. Similarly, the IJB should consider the use of case study examples to provide the reader greater context around performance during the year and wider examples of integration across the region.

Overall Observations

We have not identified any inconsistencies between the information contained within the Annual Report and the IJB's 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 on the IJB and the organisation's response. Looking forward there is an opportunity for the IJB to continue to enhance its annual accounts. Audit Scotland's Good Practice guidance provides examples of good practice across IJBs and there is an opportunity for the IJB to look to develop the accounts going forward to provide the reader a greater understanding of the key activities of the IJB and integration of health and social care services in the region.

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 a separate legal entity and is responsible for the strategic planning and commissioning of the functions delegated to it in line with the agreed operational arrangements set out in the Integration Scheme. Decisions taken by the IJB regarding the delegated health and adult social care functions do not require ratification by the Health Board or Local Authority. Both partner organisations, NHS Dumfries and Galloway and Dumfries and Galloway Council, are represented on the integrated joint board. The IJB has full power to decide how to best use resources and deliver delegated services to improve quality and deliver the nine national health and wellbeing outcomes. The IJB commission services from the Council and Health Board and the partners have responsibility for operational delivery for these. The Council and Health Board delegate operational delivery to the Health and Social Care Partnership, to support integrated working in the delivery of services. This key areas covered are: Community Health and Adult Social Care Services; Acute and Diagnostic Services; Mental Health Services; Women Children's and Sexual Health Services



The focus of our wider scope work is on the strategic role the IJB has in the integration of health and social care services in the region and in commissioning services from the health board and council.

The IJB reported total cost of services of £389 million with overall comprehensive net expenditure of £5,887 million. The net expenditure position was in line with financial plan and reflected the planned use of reserves earmarked to deliver IJB services in 2019/20 including Primary Care Transformation and Mental Health Action 15 programmes of work.



While the IJB's outturn position was in line with plan, additional funding of £4.774 million was required from NHS Dumfries and Galloway to offset overspends in the IJB's delegated budget related to health. This is in accordance with the Integration Scheme. The additional costs reflected the higher than forecast expenditure across Acute and Diagnostics directorates reflecting cost pressures arising primarily through increased level of demand on acute services including nursing and supply costs. In addition, delayed discharges are putting additional pressure on resources as it increases the level of patients receiving care.



While financial performance is overseen by the IJB, the funding model within the existing integration scheme means that the relevant partner are responsible for the delivery of financial targets through the requirement to meet any overspend incurred. This could lead to financial performance being delivered through non-recurring savings and therefore putting pressure on the achievement of a longer term financially sustainable operating model. This is recognised by the IJB and there is clear commitment through the financial planning and monitoring arrangements to develop a sustainable financial plan. It is increasingly important that the IJB, working with its strategic partners develop a sustainable operating model that becomes less reliant on non-recurring savings and that savings plans are in place prior to the financial year.

Under the Integration Scheme funding model each partner is exposed to financial risk through overspends being incurred and therefore may be less inclined to support significant integration of services where they may lose a degree of control over the level of expenditure incurred. To fully integrate health and social care services in the region in an efficient and effective way as each body will be managing its own financial pressures. This may come at the expense of delivering the IJBs wider strategic priorities. The funding arrangements are due to be reviewed as part of the next update of the Integration Scheme. There is an opportunity to consider whether funding, or part of the funding arrangement could support full delegation of resources and potentially greater autonomy around decisions making over expenditure to the IJB (See action plan point 4).



Wider scope – significant risks

Within our annual audit plan we identified two significant wider scope risks in relation to financial sustainability and delivering performance targets in a backdrop of financial challenge. As part of our audit we have reviewed the arrangements in place at Dumfries and Galloway IJB around these wider scope risks.

Wider Scope Significant Risk: Financial Sustainability identified in our Annual Audit Plan

The IJB faces significant challenges both in the short to medium term. There is a risk that in order to meet short term financial pressures, the IJB do not develop a financially sustainable service model. This risk is heightened by the absence of a medium to longer term financial strategy. It is critical to support the long term financial sustainability of the IJB that there is a sustainable financial plan in place. This should be established to support the organisation to operate within its financial means while supporting strategic investment in the integration of health and social care services to improve outcomes for people of Dumfries and Galloway.

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, rather than non-recurring initiatives. For the IJB we will assess the extent to which the IJB has oversight of the savings programmes and impact on strategy.

Grant Thornton's conclusion on the Financial Sustainability risk identified

Like many public bodies, the IJB and its funding partners: Dumfries and Galloway Council and NHS Dumfries and Galloway, face significant financial and operational challenges. During 2020/21 the IJB has forecast that it needs to delivery savings of £22.6 million in year. This is through rising demand and cost pressures as historically relying on non-recurring savings each year to deliver outturn position.

During 2019/20 the IJB required additional funding from the health board of £4.774 million to meet overspends in year. With significant pressures on all parties resources, coupled with the operational uncertainty surrounding Covid-19, additional in year funding may become difficult to support resulting in potential cancellation or reduction in services. It is increasingly important that the IJB, working with its strategic partners develop a sustainable operating model that becomes less reliant on non-recurring savings and that savings plans are in place prior to the financial year.

Action plan point - 2

**See wider scope detail
Financial Management
& Sustainability and
Value for Money**

Wider Scope Significant Risk: Governance and transparency as identified in our Annual Audit Plan

The IJB Board and officers are responsible for establishing robust governance arrangements. During 2019/20 these arrangements will continue to be developed. It is critical that the IJB has sufficient oversight and governance arrangements in place to support the delivery of the IJBs strategic objectives and the extent to which the organisation progress the integration of health and social care services.

The IJB continues to develop its strategic approach to risk management and the framework in place to identify, manage and monitor risks. It is important that these enable focus on the IJB's key strategic 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 extend to which the IJB can demonstrate 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.

Grant Thornton's conclusion on the Value for Money Risk identified

The IJB has relatively well established governance arrangements with the Board supported through three committees: Performance and Finance; Clinical and Care Governance; and Audit and Risk. Due to the impact of Covid-19 temporary governance arrangements were implemented whereby the IJB delegated authority to the Chief Officer in consultation with the Chair and Vice Chair, IJB meetings were only to take place on approval by the Chief Officer, Chair and Vice Chair, and all other meetings including Committees, Strategic Planning Group and Workshops were suspended. These arrangements were continuously reviewed in the context of any advice or guidance provided from the Scottish Government. It is important that as services remobilise that the IJB ensure it continues to maintain effective scrutiny and governance arrangements in place. This should include consideration of any decisions taken where temporary governance arrangements were put in place to ensure these were ratified by the IJB. In addition, with potential future outbreaks of the virus, the IJB should consider what contingency arrangements it has in place to support effective governance in the event of future social distancing or travel restrictions being enforced.

Action plan point - 3

During 2019/20 the IJB has continued to develop risk management arrangements with progress monitored through the Audit and Risk Committee. This has included the Chief Finance Officer commencing a review of the IJBs current risk strategy as well as enhancing documentation supporting risk management. The IJB focuses on strategic risks around integration of health and social care, with service delivery risk residing with the two partners, Dumfries and Galloway Council and NHS Dumfries and Galloway.

**See wider scope detail
Governance and
Transparency**

Wider Scope Significant Risk: Value for money as identified in our Annual Audit Plan

Best Value is about ensuring that 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 critical that the IJB is able to demonstrate and evidence the achievement of best value.

Audit response to significant wider scope risk

To support our wider scope audit, we will consider how the extent to which the IJB progress towards integration of health and social care services. We will assess the progress made by the Board in developing the revised integration scheme and the extent to which these support the delivery of integrated care.

Grant Thornton's conclusion on the Value for Money Risk identified

The Integration Scheme sets out the agreement between Dumfries and Galloway Council and NHS Dumfries and Galloway on how they will deliver integrated health and social care services in the region. The IJB working with both partners have been reviewing the Integration Scheme and it is envisaged that this will be completed by October 2020. The Scottish Government has confirmed that this represents a review of the existing scheme with incremental improvements rather than the development of a completely new arrangement.

A key element of the Integration Scheme is the agreed funding and commissioning arrangements of the IJB. Under the current arrangements, in the event of any overspend or underspend the respective partners are required to contribute additional resources dependent upon which area the overspend arose. Consequently, the risks relating to overspend rests with the statutory partner responsible for providing the service. Funding partners may be less inclined to support significant integration of services where they may lose a degree of control over the level of expenditure incurred. To fully integrate health and social care services in the region in an efficient and effective way as each body will be managing its own financial pressures. This may come at the expense of delivering the IJBs wider strategic priorities. The funding arrangements are due to be reviewed as part of the next update of the Integration Scheme. There is an opportunity to consider whether funding, or part of the funding arrangement could support full delegation of resources and potentially greater autonomy around decisions making over expenditure to the IJB.

Action plan point - 4

**See wider scope detail
Value for Money**

Wider Scope Commentary

Financial management and financial sustainability

Financial Performance 2019/20

The IJB reported total cost of services of £389 million with overall comprehensive net expenditure of £5,887 million. The net expenditure position year reflected the planned use of reserves earmarked to deliver IJB services in 2019/20 including Primary Care Transformation and Mental Health Action 15 programmes of work. The use of these reserves was in line with budget and therefore the overall outturn position was in line with budget. The remaining ring-fenced funds of £2.5 million at 31st March 2020 comprises £2.3 million for the Social Care Fund and £0.2 million for Alcohol and Drugs Partnership.

During 2019/20 the statutory funding partners (Dumfries and Galloway Council and NHS Dumfries and Galloway) contributions totalled £383 million. This funding was used to commission £388.8 million of health and social care services and £152,000 of operational costs from the Council and Health Board.

While the IJB's outturn position was in line with plan, additional funding of £4.774 million was required from NHS Dumfries and Galloway to offset overspends in the IJB's delegated budget related to health. This is in accordance with the Integration Scheme which sets out the arrangements for management of under- or over-spends where the respective partners are required to contribute additional resources dependent on which area the overspend relates to. The additional costs reflected the higher than forecast expenditure across Acute and Diagnostics directorates reflecting cost and service demand pressures in these areas.

	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

Financial plans and sustainability

The three-year Financial Plan covering 2020/21 – 2022/23 includes the delegated budget from the health board and the local authority, and savings plans required to deliver a balance budget position for 2020/21. The plan provides an indicative financial plan for the following two years 2021/22 – 2022/23. As shown in the table below, the delegated budget for 2020/21 is £398.838 million (2019/20: £381,790 million).

For 2020/21, there is a significant savings challenge of £22.623 million based on the resources allocated from NHS D&G and D&G Council. This was due to the carry forward of savings of £11.171 million not delivered recurrently in 2019/20, coupled with an additional savings requirement of £11.452 million identified for the year. Whilst the IJB has identified £9.559 million of savings, this still leaves an overall in-year gap of £13.064 million. The IJB acknowledges that significant further work will be required during 2020/21 to identify additional savings opportunities. To support this, they have identified key areas of focus for cost reduction in relation to locum and agency staffing, medicines, procurement, and non-clinical areas. It is critical that the IJB continues to further close this financial gap, particularly through recurring savings, to allow for financial sustainability in future years.

	NHS D&G Allocation £ million	D&G 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 £9.559 million identified savings, £7.059 million are classed as recurring and are captured as part of the Sustainability and Modernisation (SAM) Programme. The balance of £2.5 million is deemed to be non-recurring and is expected to be delivered through underspends on existing vacancies, in-year flexibility, and other potential savings not already identified as part of the SAM Programme. The SAM Programme was established in response to the significant financial challenges facing the Health and Social Care Partnership and NHS Dumfries and Galloway and is aimed at improving workforce and financial resilience. The programme comprises four workstreams: Modernisation and Transformation; Clinical Efficiency; Workforce; and Finance. It excludes any potential savings from the Social Work budget which will be reported through the IJB Financial Plan. While the SAM programme reflects the savings required to support financially sustainable operational services at the Health Board, it is critical to the medium to longer term IJB strategy, that integration services are financially sustainable. The progress of the SAM programme is regularly reported through the IJB Performance and Finance Committee to reflect progress across all areas.

The IJB budget for 2020/21 was created in advance of the pandemic and as such does not account for the significant financial and economic effects of COVID-19. It is likely that the delivery of the savings targets will have already been impacted by the diversion of organisational capacity to develop mobilisation plans to respond to the situation. The management of financial risks during 2020/21 will continue to be critical for the IJB and ensuring these are reflected in the financial position. The IJB recognises their key financial risks include the impact of COVID-19 and the ability to restart business as usual services without potential additional costs, the impact on efficiency plans, increasing costs of medical locums, social care provision and additional resources required to deliver the elective waiting times improvement plan. In relation to the financial impact of COVID-19, costs incurred through the IJB's operational response to the pandemic are expected to continue for the foreseeable future. For accounting purposes, these costs are recorded separately, with the assumption that costs will be covered by partners, and ultimately by the Scottish Government. In addition, the Local Authority has reported to Cosla on the expected cost pressures arising from Covid-19. The level of additional funding to support COVID-19 has not yet been confirmed by Scottish Government and it is therefore vital that the IJB continues to closely monitor and report this spend to ensure the correct level of funding is received.

Governance and transparency

Governance structures

The IJB has established three committees to help support operation of the board: Performance and Finance; Clinical and Care Governance; and Audit and Risk. The Performance and Finance Committee and the Clinical and Care Governance Committee (CCGC) have been operational since the establishment of the IJB. 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



Covid-19 Governance Arrangements

The IJB commenced their response to the developing pandemic in March 2020. This included temporarily stopping elective work, expanding critical care capacity, delivering care through technology where appropriate, retraining front line staff for deployment where needed, and expanding testing abilities. Temporary governance arrangements were also implemented at this time. These included alternative decision making processes whereby the IJB delegated authority to the Chief Officer in consultation with the Chair and Vice Chair, IJB meetings were only to take place on approval by the Chief Officer, Chair and Vice Chair, and all other meetings including Committees, Strategic Planning Group and Workshops were suspended. These arrangements were continuously reviewed in the context of any advice or guidance provided from the Scottish Government.



As the partners look to remobilise services and the IJB looks to re-establish governance arrangements it is important that the IJB Board has oversight consideration and oversight of any decisions taken where temporary governance arrangements were put in place. In addition, with potential future outbreaks of the virus, the IJB should consider what contingency arrangements it has in place to support effective governance in the event of future social distancing or travel restrictions being enforced.(See action plan point 3).

The IJB Strategic Plan

As set out within the Public Bodies (Joint Working) (Scotland) Act 2014, each Integration Authority is required to prepare a Strategic Plan. The Dumfries and Galloway IJB's Health and Social Care Strategic Plan has been developed by consulting 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 integration joint board commitments over the three-year period covering 2018-2021.



It is a legislative requirement of the Act 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

There is an increased focus on how public money is used and what the outcomes are. It is important that the IJB acts in accordance with public expectations and good practices in this area such as increased public availability of papers, insight into why any business is conducted in private, and development of the form and content of annual reporting.



The Local Authority Accounts (Scotland) Regulations 2014 requires authorities, including the IJB, to publish unaudited accounts on the website from the date they are submitted for audit inspection until the date on which the audited annual accounts are published. The unaudited IJB accounts for 2019/20 were made available on the Dumfries and Galloway Council website and the IJB website via the IJB June 2020 meeting papers. 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.

Action Plan – 2018/19 follow up point 4

Dumfries and Galloway IJB model

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

The Public Bodies (Joint Working) (Scotland) Act 2014 outlines that there is a statutory duty to prepare an Integration Scheme which sets out which integration model is to apply, the functions to be delegated from each organisation, and the financial arrangements and payments for these functions. The Integration Scheme, agreed between NHS D&G and D&G Council, confirmed that for the first year of operation as a partnership that if the IJB is unable to deliver a balanced position, any overspend would be supported by the organisation who originally delegated the budget. For 2020/21, it has been agreed between the parties that this arrangement will continue for a further year.

The Public Bodies (Joint Working) Act 2014 also requires that the Local Authority and Health Board undertake a review of the Integration Scheme before the expiry of the relevant period, which for Dumfries and Galloway is the 3rd October 2020. The Scottish Government recognises the inevitable impact and delay to this activity due to the extensive work and focus across the local health and social care system to plan and implement their COVID-19 response. As such, the Government has advised that the partnership is not required to prepare a successor integration scheme but as a minimum should review their current arrangement by this time.

Risk Management

The Risk Management Strategy was approved in July 2016. However, the IJB recognised that its risk management arrangements and strategy had evolved since they were first developed. During 2019/20, the IJB has looked to develop risk management arrangements with progress monitored through the Audit and Risk Committee. The Chief Finance Officers has commenced a review of the IJB' risk strategy. The IJB's risk focus on the strategic risks around the integration of health and social care. Operational and delivery risks are the responsibility of the IJB partners, the health board and council. In addition, the IJB has sought to enhance some of the risk management documentation with clearly documented including target risks and risk appetite and to ensure these are recorded on the DATIX system to enhance risk reporting.



Value for money

Best value responsibilities

Dumfries and Galloway IJB is responsible for ensuring that its business is conducted in accordance with the law, and that public money is safeguarded, properly accounted for, and allocated effectively. The IJB has a duty under the Local Government Act 2003 to secure 'Best Value' through continuous improvement in its activities whilst contributing to the achievement of sustainable development.

Performance

The IJB and its committees regularly monitor the performance of the services they provide throughout the year through the performance reporting framework. This includes quarterly performance reports to the IJB, and bi-annual reporting to area committees and the IJB in respect of implementation of locality plans. These reports have been refined during 2019/20 to meet the requirement of the four area committees: Annandale and Eskdale, Nithsdale, Stewartry, and Wigtownshire. Performance information is also reviewed at the Performance and Finance Committee and operational managers. The IJB endeavours to publish performance results online, however for 2018/19 and 2019/20, there were no annual, quarterly, or area committee performance reports uploaded to the designated area within the IJB's website. Whilst performance reporting can be found within the committee papers published online, there is scope to improve easy accessibility of these papers in the public domain.

The quarterly performance reporting provides an overview of local performance information shared between the NHS Board and the IJB. The reporting outlines 17 performance indicators covering community health and social care, acute and diagnostics, mental health, women and children's, and corporate services. It measures performance in the month and provides a comparison with the previous month's figures and the agreed target trajectory, and trend data over a 25-month period. In the update presented to the May 2020 IJB meeting covering the period up to 31st March 2020, of the 17 performance indicators, 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.

The annual performance report brings together information about health and social care services from the local areas and from across the region to assess the Partnership's progress in achieving the nine national health and wellbeing outcomes. Under the Public Bodies (Joint Working) (Scotland) Act 2014, the IJB is required to publish their annual performance report by the end of July each year. Due to the operational disruption resulting from COVID-19, the IJB has not had the capacity to produce and publish their annual performance reporting in line with the statutory timescale. However, this is superseded by the Coronavirus (Scotland) Act 2020 which enables public authorities to postpone compliance with statutory duties if they consider these would likely impede their ability to effectively respond to the virus. The revised date for publication of the report is by the end of September 2020. It is anticipated that performance results toward the end of the 2019/20 financial year will be impacted by the growing pandemic where the IJB commenced their response in March 2020, either reducing services or adopting different approaches to deliver them.



Integration of health and social care

The Integration Scheme sets out the funding and commissioning arrangements of the IJB and its statutory funding partners: Dumfries and Galloway Council and NHS Dumfries and Galloway. Under the current arrangements, in the event of any overspend or underspend the respective partners are required to contribute additional resources dependent upon which area the overspend arose. Consequently, the risks relating to overspends rests with the statutory partner responsible for providing the service.

The IJB faces ongoing service and cost pressures arising from a range of factors including pressures on demand for services and rising cost pressures in delivering these. In addition, both the Council and health board face financial and operational challenges of their own which could put significant pressure on the level of funding available to the IJB.

In context of these financial pressures there is a risk that the IJB partners focus on managing their own challenges. In addition, the current integration scheme model where financial risks predominantly reside with the funding partner, are potentially less conducive to supporting full integration of services between parties as each body would look to retain control over budgets and spend than a more integrated funding model. The funding arrangements are due to be reviewed as part of the next update of the Integration Scheme in October 2020. There is an opportunity to consider whether funding, or part of the funding arrangement could support full delegation of resources and potentially greater autonomy around decisions making over expenditure to the IJB. (See action plan point 3)

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. (Subject to completion of testing)

During the course of our audit work we identified a number of disclosure adjustments required to the draft financial statements. The following are those adjustments that have been adjusted for in the updated draft accounts.

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 and recommendations

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

Recommendation

Agreed management response

1. Internal Audit

During 2019/20 the internal audit functions intended to undertake a joint assurance review on behalf of the IJB covering delayed discharges. However, due to the outbreak of Covid the review was not completed. The overall assurance to the IJB are therefore limited to assurances from the internal audit functions based on the work performed across each of the statutory funding partners. Going forward, the IJB should look to utilise internal audit to obtain assurances over systems of internal control, risk and governance arrangements directly relating to the IJB.

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

Like many public bodies, the IJB and its funding partners: Dumfries and Galloway Council and NHS Dumfries and Galloway, face significant financial and operational challenges. With pressures on partners' resources, coupled with the operational uncertainty surrounding Covid-19, additional in year funding may become difficult to support resulting in potential cancellation or reduction in services. It is increasingly important that the IJB, working with its strategic partners develop a sustainable operating model that becomes less reliant on non-recurring savings and that savings plans are in place prior to the financial year.

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

Due to the impact of Covid-19, temporary governance arrangements were established including the suspension of IJB Board and committee meetings. It is important that as services remobilise that the IJB ensure it continues to maintain effective scrutiny and governance arrangements in place. This should include consideration of any decisions taken where temporary governance arrangements were put in place to ensure these were ratified by the IJB. In addition, with potential future outbreaks of the virus, the IJB should consider what contingency arrangements it has in place to support effective governance in the event of future social distancing or travel restrictions being enforced.

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 Covid 19 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

4. Integration of health and social care

To fully integrate health and social care services in the region in an efficient and effective way as each body will be managing its own financial pressures. There is an opportunity to consider whether funding, or part of the funding arrangement could support full delegation of resources and potentially greater autonomy around decisions making over expenditure to the IJB.

Management response: A review of the integration scheme is underway however no significant changes are planned and any change around funding arrangements is not planned for this iteration to ensure maintenance of a level of stability in the current very unpredictable environment.

Action owner: Chief Finance 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 – Superseded by 2019/20 Action Plan Point 3

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

The unaudited accounts were published in the IJB website for public consultation and scrutiny on the 22 June 2020. As noted in follow up action plan point 4 above (New website), there is an opportunity to better locate the Annual Accounts to enhance transparency arrangements.

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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