

Dumfries and Galloway  
Integration Joint Board  
Audit and Risk Committee

8<sup>th</sup> September 2022

This Report relates to  
Item 7 on the Agenda

# External Audit Annual Report

*Paper presented by Joanne Brown*

*For Scrutiny and Review*

|                                   |   |
|-----------------------------------|---|
| <b>Author:</b>                    | Joanne Brown, Partner, Audit, Grant Thornton UK LLP<br><a href="mailto:Joanne.E.Brown@uk.gt.com">Joanne.E.Brown@uk.gt.com</a> |
| <b>List of Background Papers:</b> | Not required  |
| <b>Appendices:</b>                | <b>Appendix 1</b> – External Audit Report for the Financial Year end 31 March 2022  |

| Direction Required to Council, Health Board or Both | Direction to:  |   |
|---|--|---|
|   | 1. No Direction Required                                       | X |
|   | 2. Dumfries and Galloway Council                               |   |
|   | 3. NHS Dumfries and Galloway                                   |   |
|   | 4. Dumfries and Galloway Council and NHS Dumfries and Galloway |   |

|           |  |
|-----------|--|
| <b>1.</b> | <b>Introduction</b>  |
| 1.1       | This paper provides the Integration Joint Board with an update on the work of the External Auditors.   |
| <b>2.</b> | <b>Recommendations</b>   |
| 2.1       | <p><b>The Integration Joint Board is asked to:</b></p> <ul style="list-style-type: none"> <li>• <b>Scrutinise and review the attached report for Dumfries and Galloway Integration Joint Board/ External Audit Annual Report to those charged with Governance and the Controller of Audit for the 2021/22 financial year.</b></li> </ul>   |
| <b>3.</b> | <b>Background and Main Report</b>  |
| 3.1       | <u>Background</u>  |
| 3.2       | The Audit and Risk Committee previously agreed the External Audit Plan set out by Grant Thornton as our External Auditors on how they will discharge their responsibilities as set out in the Audit Scotland Code of Audit Practice 2016, as well as requirements under International Standards of Auditing (ISA's) (UK and Ireland).  |
| 3.3       | <u>Main Report</u>   |
| 3.4       | A draft set of our accounts was issued to the auditors following the IJB the 30 <sup>th</sup> June 2022, to enable the auditors to commence the external audit work during the July/August and conclude to provide final assurance for the Audit and Risk Committee on the 8 <sup>th</sup> September 2022.   |
| 3.5       | <p>Their approach delivers:</p> <ul style="list-style-type: none"> <li>• A robust challenge of the judgements and key aspects of the financial statements, in particular in relation to the significant and other audit risks outlined in their plan.</li> <li>• A focus on wider scope arrangements across the four audit dimensions aligned to our key areas of risk: financial management; financial sustainability; governance and transparency and value for money.</li> <li>• An understanding of Dumfries and Galloway Integration Joint Board and the strategic challenges, pro-actively engaging throughout the year with us.</li> <li>• A clear and concise annual report addressed to those charged with governance and the Controller of Audit, reporting the outcome of their work during the year. The report will reflect the key judgements and conclusions over the arrangements as relevant to Grant Thornton's Audit Role.</li> </ul> |
| 3.6       | The full report prepared by the External Auditors following their audit review for 2021/22 is set out in <b>Appendix 1</b> . The audit opinion provided is a unmodified audit opinion.   |
| <b>4.</b> | <b>Conclusions</b>   |
| 4.1       | The Committee are asked to review the External Auditors Report as presented.   |

|            |   |                                     |
|------------|---|-------------------------------------|
|            |   |                                     |
| <b>5.</b>  | <b>Resource Implications</b>  |                                     |
| 5.1.       | There are no resource implications identified.  |                                     |
| <b>6.</b>  | <b>Impact on Integration Joint Board Outcomes, Priorities and Policy</b>  |                                     |
| 6.1.       | The development of robust External Auditing arrangements is a fundamental requirement of our overall governance arrangements. |                                     |
| <b>7.</b>  | <b>Legal and Risk Implications</b>  |                                     |
| 7.1.       | There are no legal or risk implications identified.   |                                     |
| <b>8.</b>  | <b>Consultation</b>   |                                     |
| 8.1.       | Consultation Chief Finance Officer, Chief Officer.  |                                     |
| <b>9.</b>  | <b>Equality and Human Rights Impact Assessment</b>  |                                     |
| 9.1.       | As this report does not propose a change in policy/strategy/plans, no impact assessment has been carried out.                 |                                     |
| <b>10.</b> | <b>Glossary</b>   |                                     |
| 10.1       | All acronyms must be set out in full the first time they appear in a paper with the acronym following in brackets.            |                                     |
|            | ISA   | International Standards of Auditing |

# External Audit Report for Dumfries and Galloway Integration Joint Board

Financial year ended 31 March 2022

Prepared for the Board of Dumfries and Galloway  
Integration Joint Board (IJB) and the Controller of Audit

August 2022 – DRAFT FOR DISCUSSION



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## Your key Grant Thornton team members are:

### Joanne Brown

Audit Partner

T 0141 223 0848

E [joanne.e.brown@uk.gt.com](mailto:joanne.e.brown@uk.gt.com)

### Rajat Malik

Manager

T 0131 229 9181

E [rajat.malik@uk.gt.com](mailto:rajat.malik@uk.gt.com)

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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 external audit 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 Integration Joint Board or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Executive Summary

This table summarises the key findings and other matters arising from the external audit of Dumfries and Galloway Integration Joint Board financial statements for the year ended 31 March 2022 for those charged with governance ('the Board') and the Controller of Audit.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the financial statements have been prepared in accordance with IFRS's, as interpreted and adapted by the 2021/22 Local Government Accounting Code of Practice
- Prepared in accordance with requirements of Local Government (Scotland) Act 1973, the Local Government accounts (Scotland) regulations 2014, and the Local Government in Scotland Act 2003
- The inclusion of the Annual Governance Statement is in line with guidance alongside other prescribed matters

We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The unaudited annual report and accounts were produced by the Dumfries and Galloway Integration Joint Board ("IJB") in June 2022. These were subsequently made available for public consultation. Given the timing, with the Local Government elections in May 2022, there was not an IJB Audit Committee to consider the unaudited accounts, due to membership being determined. In the absence of the Audit and Risk Committee consideration, this approval was done by the IJB Board.

The unaudited accounts were of a good standard and were supported with clear audit papers. All our audit queries were addressed in a timely manner. We thank the respective members of the NHS, and the Council finance teams who have supported the audit process.

Our work was completed remotely during August 2022. [Our audit report opinion \(audit report\) is unmodified.](#)

Our findings are summarised within this report. We did not identify any audit adjustments above our trivial reporting threshold (£250,000). Only minor presentational updates were made in the final version of the annual report and accounts.

Our recommendations arising from this year's audit are set out in Appendix 2, with follow up of prior year external audit recommendations set out in Appendix 3.

# Introduction

## Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2022 at the IJB. The scope of our audit was set out in our External Audit Plan communicated to the Audit and Risk Committee in March 2022.

The main elements of our audit work in 2021/22 have been:

- An audit of the IJB's annual report and accounts for the financial year ended 31 March 2022;
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2016 ('the Code'). This includes the consideration of Best Value, as a statutory obligation within Local Government.
- Contribution to a data return to support the Local Government overview reporting [assumed LG and IJB return still waiting on guidance from Audit Scotland].

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

This report is addressed to the Board of the IJB and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Responsibilities

The IJB is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the Local Government Accounting Code and respective legislation. The IJB is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Adding value through our audit work

We aim to add value to management and those charged with governance through our external audit work. We use our wider public sector knowledge, to deliver an ISA risk based compliant audit, based on our determined materiality. We seek to provide constructive recommendations designed to support management mitigate areas of risk and strengthen the organisation's control environment. Through our wider scope work and interactions, including those at Audit and Risk Committee meetings, we seek to help the IJB identify and promote good practices whilst supporting improvements.

# Audit of the annual report and accounts

## Key messages and judgements

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

We have identified no adjustments to the financial statements.

We identified minor disclosure enhancements and these have been agreed with management.

We have raised one recommendation for management and this is set out in Appendix 2, alongside a follow up of prior year outstanding external audit actions.

## Our audit opinion

For the financial year ended 31 March 2022 we [plan to issue] an **unmodified opinion** on the annual report and accounts. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation

## The audit process

The unaudited accounts were made available for inspection in July 2022. The quality of the unaudited accounts were good and the accounts process was supported by working papers provided by either the NHS finance team or the Council finance team. All audit queries were responded to quickly.

There were no adjusted or unadjusted misstatements to the accounts. Minor disclosure adjustments were discussed and agreed, although these were not material or considered significant.

## Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our audit plan. We updated our audit materiality to reflect the 2021/22 unaudited financial statements. Materiality was set at £9.224 million, representing 2% of gross expenditure. Performance materiality was set at £6.918 million, representing 75% of our calculated materiality.

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



## Internal control environment

In accordance with ISA requirements we have developed an understanding of the IJB's control environment, specifically as related to our significant audit risk areas (override of control). In considering the IJB controls we also considered the partner controls of NHS Dumfries and Galloway and Dumfries and Galloway Council, where relevant to the IJB financial statements.

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. These assurances inform the production of the annual IJB accounts and the IJB annual governance statement. In addition, we have obtained independent confirmations from the Council and the NHS over the completeness and occurrence of income and expenditure transactions recorded in the IJB annual report and accounts.

Our audit is not controls based and we have not placed 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.

## The IJB's financial performance during 2021/22

During the year the IJB achieved a breakeven, balanced, financial position as at 31 March 2022. Under the Integration Scheme where one of the Partners overspends it is then their responsibility to fund that overspend. Therefore, in order to achieve the financial outturn NHS Dumfries and Galloway contributed an additional £12.876m in income, to the IJB in-year. The IJB carried forward into 2021/22 a reserves balance of £16.4million. This was from a range of ring fenced funding sources including Social Care Fund, Primary Care Improvement Funds and Alcohol and Drug Partnership monies, received by the IJB and were unspent but committed at the financial year end. As at 31 March 2022 the IJB reserves have increased to £30.8million. This level of reserves position arose due to a) delays in projects and spend in-year due to covid and b) additional monies being received late on, from Scottish Government ringfenced for IJB specific purposes including Covid. In each case, the balances carried forward in reserves are ringfenced for a specific funding purpose. The intention is, to use these reserves during 2022/23, in line with the purpose intended.

## Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

| Risks identified in our Audit Plan  | Commentary  |
|---|---|
| <p><b>Management override of controls</b></p> <p>As set 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 those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement. This includes manual journals as well as critical judgements or estimates.</p> | <p>We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures and planning inquires with management. In doing this work we have concluded there are no significant estimates and judgements within the annual report and accounts. This is appropriately disclosed within the IJB's Accounting Policies and in line with our understanding of an IJB organisation.</p> <p>Across our public sector clients we look to understand and test the control environment over journals including target testing journals on a risk assessment basis to ensure no management override of control, that could result in fraud or material error. However the IJB itself does not process journals. Therefore we have:</p> <ul style="list-style-type: none"> <li>• Considered our journals testing within the NHS and the Council (as the external auditor of both organisations) and those that related to IJB transactions to determine the journal was valid, authorised and posted correctly.</li> <li>• Understood how the IJB accounts are produced and whether there is an opportunity or incentive for management to override controls to show an improved IJB financial performance, through financial reporting.</li> <li>• Confirmed through our substantive testing that accounting entries (Income and Expenditure) were in accordance with the Local Government Accounting Code and in-line with our expectations.</li> </ul> <p><b>Conclusion</b></p> <p>Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions. We did not identify indication of fraud or inappropriate management bias that could result in a material misstatement.</p> |

## Risks identified in our Audit Plan

### Risk of fraud in expenditure recognition

As set out in the Financial Reporting Council (FRC)'s Practice Note 10 revised (PN10 revised) which applies to Public Sector entities, auditors of public bodies should consider the risk of misstatement in expenditure recognition. The IJB's material expenditure stream relates to Health and Social Care costs reflecting the services commissioned from NHS Dumfries and Galloway and Dumfries and Galloway Council 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 otherwise by the IJB. Likewise, any overspend incurred in delivering the service is borne by the Health Board/Council unless agreed otherwise with the IJB and the other partner. There is therefore limited incentive for either of these parties to under or overstate costs incurred by the IJB.

We therefore focus our risk on year end cut-off arrangements, where it may be advantages for management to show a more favourable financial position in the context of reporting to Scottish Government and the need to achieve the financial targets set, particularly given increasing patient demand and costs pressures that the IJB is facing.

## Commentary

- We performed walkthroughs of the controls and procedures over other operating expenditure streams;
- Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording – placing reliance on our testing within the NHS and Council;
- Focused substantive testing of expenditure recognised post year end to identify if there is any potential understatement to address the risk of cut-off;
- Focused substantive testing of expenditure in the final two months of the year to identify if this has been potentially overstated to address the risk of cut-off; and
- Review of accruals, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.

### Conclusion

Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or provisions balances at year end.

## Significant estimates and judgements

The IJB's financial statements including the following significant accounting estimates and judgements impacting on the annual accounts:

| Significant judgement or estimate | Summary of management's approach  | Audit Comments  | Assessment     |
|-----------------------------------|---|---|----------------|
| None                              | The note within the IJB Accounting policies (Note 3 significant estimates and judgements) confirms there is no judgements or estimates within the IJB accounts. | We have confirmed there are no significant estimates or judgements within the IJB Accounts. | Not applicable |

## Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the IJB and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2021/22 Local Government Accounting Code.
- We enquired of management and the Audit and Risk Committee, concerning the IJB's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the IJB's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the IJB's financial performance for the year and potential management bias in determining accounting estimates and carry forward of income within reserves.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the IJB's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the IJB's control environment, including the policies and procedures implemented by the IJB to ensure compliance with the requirements of the financial reporting framework.

## Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

| Issue   | Commentary  |
|---|---|
| <b>Matters in relation to fraud and irregularity</b>              | It is the IJB's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| <b>Accounting practices</b>                                       | We have evaluated the appropriateness of the IJB's accounting policies, accounting estimates and financial statement disclosures. No matters were identified to bring to your attention.  |
| <b>Matters in relation to related parties</b>                     | We are not aware of any related parties or related party transactions which have not been disclosed. The principal related parties are NHS Dumfries and Galloway and Dumfries and Galloway Council.   |
| <b>Matters in relation to laws and regulations</b>                | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.  |
| <b>Other information</b>  | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.  |
| <b>Opinion on other aspects of the annual report and accounts</b> | <p>We are required to give an opinion on whether the parts of the Remuneration Report subject to audit have been prepared properly in accordance with the requirements of the relevant legislation and Local Government Accounting Code. We have audited the elements of the Remuneration Report , as required by the Code and are satisfied that these have been properly prepared in accordance with applicable legislation.</p> <p>The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with relevant legislation and local government accounting requirements.</p>   |

| Issue  | Commentary  |
|--|---|
| <b>Governance statement</b>                    | The report outlines the governance framework in place at the IJB. The statement includes scope of responsibilities, governance framework, an assessment of internal financial controls. Internal Audit during the year provided a reasonable assurance internal audit opinion over the IJB control environment.   |
| <b>Matters on which we report by exception</b> | We are required to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.  |
| <b>Written representations</b>                 | A letter of representation has been requested from management, which is included in the Audit and Risk Committee papers.  |
| <b>Going concern</b>                           | <p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the IJB meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management’s assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> |



# Wider scope audit

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work the wider scope audit dimensions: financial management; financial sustainability; governance and transparency and value for money. We take a risk based audit approach, utilising our cumulative audit knowledge of the organisation and understanding of its risks and priorities. Within our annual audit plan we identified two wider scope risks in relation to medium term financial sustainability and the IJB's continuing consideration of Best Value.

| Wider scope dimension    | Wider scope risk identified in our audit plan   | Wider scope audit response and findings   | External Audit conclusion   |
|--------------------------|---|---|---|
| Financial sustainability | The IJB is expected to achieve a balanced financial outturn for 2021/22 with further fundings being earmarked in reserves for future use. The level of reserves is expected to increase due to additional social care earmarked funds from Scottish Government, some of this coming late in the last quarter of the financial year. | <p>In 2021/22 the IJB achieved its budgeted financial position, with a balanced outturn. This was supported through an additional £12m of funding in-year from NHS Dumfries and Galloway to cover overspends within the NHS delegated services budget.</p> <p>A financial plan has been approved for 2022/23. This represents a balanced financial position where it is recognised that the IJB must operate within the budget set. The plan recognises the additional national funding made available to Social Care alongside the money held in reserve as at 31 March 2022. Within the 2022/23 financial plan, savings of £24.921million have been built in, which will be need to achieve a breakeven position. Risks are recognised around this level of savings recognising over the last two years savings programmes have been delayed, due to Covid, in particular the capacity of the NHS and LG to devise and implement saving programmes in-year.</p> <p>The financial plan is a one year plan, covering 2022/23. As clarity emerges over the future long term funding of the IJB a three to five year medium term financial plan will be developed. See Action point 1 in appendix 2 (audit recommendations)</p> | <p>The IJB achieved its financial plan through an additional £12m from NHS Dumfries and Galloway. Risks remain in 2022/23 with a high proportion of savings to be realised to support the financial plan.</p> <p>Savings programmes are in place but will be dependant on sufficient capacity within the NHS to deliver on the plans, which in prior years has proven challenging.</p> <p>The level of reserves as at 31 March 2022 have in effect doubled to £30m. Recognising the ringfenced nature of these monies the IJB is encouraged to use the reserves for the purpose intended to support service delivery.</p> |



# Best Value

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. As the IJB was established under Local Government legislation it is required as a statutory obligation to demonstrate and evidence best value.

| Overview  | Audit Response   | External Audit conclusion   |
|---|--|---|
| <p>The IJB has a responsibility, alongside its Partner organisations to demonstrate and evidence achievement of Best Value. As identified in our external audit plan, wider scope risk assessment we continue to consider the IJB's assessment of best value using available best value guidance and the principles of best value. This will include considering fairness and equality, as required under the Audit Scotland planning guidance.</p> <p>We continue to consider how the IJB monitors performance over delegated services in-year and the relationship of the IJB with its partner organisations.</p> | <p><b>Integration Scheme</b></p> <p>The IJB is reviewing its integration scheme, with NHS Dumfries and Galloway and Dumfries and Galloway Council. Any revisions to the Integration Scheme will be submitted to Scottish Government in November 2022 by the deadlines set. Under the current integration scheme any overspend by the respective partners is required to be met by the partner, who incurred the overspend. As a result in 2021/22 NHS Dumfries and Galloway contributed an additional £12million, to cover the in-year overspend.</p> <p><b>Strategic commissioning</b></p> <p>During the year, as set out in the annual report, the IJB consulted its three year strategic commissioning plan (2022-2025). This sets out the priorities for the IJB over the medium term.</p> <p><b>Governance</b></p> <p>In May 2022 local Council elections took place. This resulted in new Local Government members being appointed to the IJB, representing the five Council voting members. Given the timing, with the summer recess period, whilst the five members have been appointed to the IJB Board, the individual members, sitting on the sub-committees was still being determined. As a result the June Audit and Risk Committee did not take place, with the IJB Board approving the accounts for publication.</p> | <p>Both partners continue to work well together, recognising in particular the service delivery and financial pressures arising as a result of the Covid-19 pandemic, and the impact of this on the IJB as well as their respective organisations.</p> <p>Governance arrangements continue to be effective.</p> |

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| Overview                          | Audit Response   | External Audit conclusion |
|-----------------------------------|--|---------------------------|
| Best value arrangements continued | <p><b>Governance (continued)</b></p> <p>A governance review is planned for 2022/23 to ensure that the IJB arrangements remain fit for purpose. This will include considering the resources required, to support the Committees and ensuring the Committees do not duplicate, in particular the activities of the NHS committees.</p> |                           |

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# Appendices

# 1. Audit and disclosure adjustments

We are required to report all non trivial misstatements, whether or not the accounts have been adjusted by management. We are pleased to report there were no uncorrected or corrected misstatements to the financial statements arising during our audit.

| Detail         | Statement of Comprehensive<br>Income and Expenditure Statement<br>£'000 | Balance Sheet £' 000 |
|----------------|---|----------------------|
| None to report |   |                      |
| Overall impact | Nil   | Nil                  |

## Misclassification and disclosure changes

We did not identify any material or significant disclosure changes between the unaudited and the final annual report and accounts. Our points discussed were all of minor disclosure/typing updates and these have all been made in the agreed final set of accounts.

## 2. Recommendations from 2021/22 audit

We have set out below, based on our audit work undertaken in 2021/22 our external audit recommendations:

| Recommendation  | Agreed management response  |
|---|---|
| <p><b>1. Longer term financial planning</b></p> <p>The IJB's strategic commissioning plan (2022-2025) sets out the IJB priorities for the next 3 years. It is the intention of the Chief Finance Officer to produce a medium term financial strategy, which underpins the commissioning plan. However, it is recognised that funding, to the IJB continues to be on an annual basis, and due to Covid, with additional monies being received, at times later on, in the financial year, this has made forecasting over a longer period difficult.</p> | <p><b>Management response:</b> The development of a longer term financial plan for the IJB remains challenging given the one year nature of financial settlements, the volatility of spend and the uncertainty of funding. Work has progressed around the development of the Financial Recovery Plan and a full rebasing of cost and pressures are planned as part of the development of the budget for 2023/24.</p> <p><b>Action owner:</b> Chief Finance Officer</p> <p><b>Timescale for implementation:</b> March 2023</p> |

## 2. Follow up of 2020/21 recommendations

We have set out below, the progress in implementing previous external audit recommendations.

| Recommendation  | Agreed management response  |
|---|---|
| <p><b>1. Longer term financial planning and future direction of the IJB</b></p> <p>It is recognised in the current climate that the IJB is unable to plan beyond the current financial year. In addition, there are many uncertainties in the 2021/22 financial plan as the NHS and Council continue to respond to Covid-19 and develop recovery plans. The IJB will continue to focus on funding and delivery of the savings plans to achieve the forecast financial position but is recognised this is not without challenge. Going forward, at a suitable point in time, the IJB should refocus on creating a long term financial plan, considering various scenarios over funding and savings delivery. This may be done in the context of the future direction of the IJB as the Feely care review is further considered by Government and stakeholders, which include the IJB, NHS and Council.</p> | <p><b>Management response:</b> An update of the longer term financial plan is in progress and will be reviewed following the draft budget for 22/23 and any further detail which is released through the care consultation process</p> <p><b>Action owner:</b> Chief Finance Officer</p> <p><b>Timescale for implementation:</b> March 2022</p> <p><b>Progress:</b> <b>SUPERCEDED</b>. See 2021/22 recommendation which recommends the financial plan aligns with the new 3-year commissioning plan.</p>  |
| <p><b>2. Best Value assurance framework</b></p> <p>Management should progress during 2021/22 the plans set out at the Audit and Risk Committee in respect of developing a best value assurance framework, mapping best value assurances across the IJB itself as well as the partner organisations. This work can be done in tandem with the developing thinking of the Accounts Commission on how to audit and assess the achievement of Best Value within an organisation like the IJB – a commissioning body, who directs partners to deliver, on their behalf, via delegated budgets and direction.</p>   | <p><b>Management response:</b> This work will be progressed for 21/22 and updated based on the relevant guidance in place at the time for the 21/22 assurance process.</p> <p><b>Action owner:</b> Chief Finance Officer</p> <p><b>Timescale for implementation:</b> June 2022</p> <p><b>Progress:</b> <b>ONGOING</b>. Assurances are in place, from both Partner organisations in respect of the delivery of Best Value. Best Value in an IJB continues to be a discussion within the IJB and at a national level and the IJB continues to look to develop its reporting, on how it evidences the achievement of Best Value.</p> |

# 4. Audit fees and independence

## External Audit Fee

| Service  | Fees £        |
|--|---------------|
| External Auditor Remuneration                    | 19,250        |
| Pooled costs                                     | 2,010         |
| Contribution to Audit Scotland costs             | 5,670         |
| Contribution to Performance Audit and Best Value | 1,030         |
| <b>2021/22 Fee</b>                               | <b>27,960</b> |

| Service  | Fees £ |
|--|--------|
| We confirm that for 2021/22 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](mailto:joanne.e.brown@uk.gt.com)). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020](https://www.grantthornton.co.uk/transparency-report-2020) ([grantthornton.co.uk](https://www.grantthornton.co.uk))

## 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 Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- 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.

# 5. 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 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  | •          | •              |
| 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  | •          | •              |
| Views about the qualitative aspects of the IJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures  |            | •              |
| Significant findings from the audit   |            | •              |
| Significant matters and issues arising during the audit and written representations that have been sought   |            | •              |
| Significant difficulties encountered during the audit   |            | •              |
| Significant deficiencies in internal control identified during the audit  |            | •              |
| Significant matters arising in connection with related parties  |            | •              |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements   |            | •              |
| Non-compliance with laws and regulations  |            | •              |
| Unadjusted misstatements and material disclosure omissions  |            | •              |
| Expected modifications to the auditor's report, or emphasis of matter   |            | •              |



