



Integration Joint Board
Audit, Risk and Governance Committee

17 September 2024

This Report relates to
Item 6 on the Agenda

External Audit Annual Report

Paper presented by Gordon McAllister

For Scrutiny and Review

Author:	Fiona Mitchell-Knight, Audit Director, Audit Scotland FMitchell-Knight@audit-scotland.gov.uk Gordon McAllister, Senior Auditor, Audit Scotland gmcallister@audit-scotland.gov.uk
List of Background Papers:	Not required
Appendices:	Appendix 1 – External Audit Annual Report

1.	Introduction
1.1	This paper provides the Integration Joint Board with an update on the work of the External Auditors.
2.	Recommendations
2.1	<p>The Audit and Risk Committee is asked to:</p> <ul style="list-style-type: none"> • Scrutinise and review the attached External Audit Annual Report (Appendix 1) for Dumfries and Galloway Integration Joint Board for the financial year ending 31 March 2024.
3.	Background and Main Report
3.1	<u>Background</u>
3.2	The Audit and Risk Committee has responsibility for agreement of the External Audit Plan prepared by Audit Scotland as our External Auditors which sets out 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	The attached report reflects the External Audit Annual Report for the External Audit process for 2023/24 as prepared by Audit Scotland for the Integration Joint Board.
3.5	Audit Scotland have been appointed as the External Auditors for the Integration Joint Board for the period 2022/23 to 2026/27 inclusive.
4.	Conclusions
4.1	The Committee are asked to review the External Audit Annual Report as presented.
5.	Resource Implications
5.1.	There are no resource implications identified.
6.	Impact on Integration Joint Board Outcomes, Priorities and Policy
6.1.	The development of robust External Auditing arrangements is a fundamental requirement of our overall governance arrangements.
7.	Legal and Risk Implications
7.1.	There are no legal or risk implications identified.
8.	Consultation
8.1.	Consultation with Chief Finance Officer, Chief Officer

9. Equality and Human Rights Impact Assessment

9.1. As this report does not propose a change in policy/strategy/plan/project, it is not necessary to complete an impact assessment.

10. Glossary

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
-----	-------------------------------------

Dumfries and Galloway IJB Board

24 September 2024

Dumfries and Galloway Integration Joint Board Audit of 2023/24 annual accounts

Independent auditor's report

1. Our audit work on the 2023/24 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 24 September 2024 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the IJB Board's consideration our draft annual report on the 2023/24 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the IJB Board we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting Dumfries and Galloway IJB that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Chief Finance Officer (Section 95 Officer) on aspects of the annual accounts, including the judgements and estimates made.

9. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Dumfries and Galloway Integration Joint Board and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Dumfries and Galloway Integration Joint Board for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Dumfries and Galloway Integration Joint Board as at 31 March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code; and
- have been 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.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the Dumfries and Galloway Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Dumfries and Galloway Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Dumfries and Galloway Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the Dumfries and Galloway Integration Joint Board's current or future financial sustainability. However, I report on the Dumfries and Galloway Integration Joint Board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Finance Officer and IJB Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Dumfries and Galloway Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the Dumfries and Galloway Integration Joint Board's operations.

The IJB Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in

Scotland Act 2003 are significant in the context of the Dumfries and Galloway Integration Joint Board;

- inquiring of the Chief Finance Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Dumfries and Galloway Integration Joint Board;
- inquiring of the Chief Finance Officer concerning the Dumfries and Galloway Integration Joint Board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Dumfries and Galloway Integration Joint Board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my 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
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do

not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow, G2 1BT

Appendix B: Letter of Representation (ISA 580) - to be reproduced on client's letterhead

Fiona Mitchell Knight, Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

24 September 2024

Dear Fiona

Dumfries and Galloway Integration Joint Board Annual Accounts 2023/24

- 1.** This representation letter is provided in connection with your audit of the annual accounts of Dumfries and Galloway Integration Joint Board for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the Remuneration Report, Management Commentary and Annual Governance Statement.
- 2.** I confirm to the best of my knowledge and belief and having made appropriate enquiries of the IJB Board and Chief Officer, the following representations given to you in connection with your audit of Dumfries and Galloway Integration Joint Board's annual accounts for the year ended 31 March 2024.

General

- 3.** Dumfries and Galloway Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2023/24 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Dumfries and Galloway Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
- 4.** I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

- 5.** The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (2023/24 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
- 6.** In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Dumfries and Galloway Integration Joint Board at 31 March 2024 and the transactions for 2023/24.

Accounting Policies & Estimates

7. All material accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2023/24 accounting code, where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Dumfries and Galloway Integration Joint Board circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Dumfries and Galloway Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Dumfries and Galloway Integration Joint Board's ability to continue as a going concern.

Liabilities

10. All liabilities and contingent liabilities at 31 March 2024 of which I am aware have been reported in the financial statements.

Contingent Liabilities

11. There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. See Note 11 to the financial statements.

Litigation and Claims

12. All known actual or possible legal claims have been disclosed to you and have been accounted for and disclosed in the financial statements in accordance with the 2023/24 accounting code.

Fraud

13. I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

14. I have provided you with all information in relation to

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

15. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

16. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2023/24 accounting code. I have made available to you the identity of all the Dumfries and Galloway Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

17. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

Management Commentary

18. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

19. I confirm that the Dumfries and Galloway Integration Joint Board has undertaken a review of the system of internal control during 2023/24 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

20. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2024, which require to be reflected.

Balance Sheet

21. All events subsequent to 31 March 2024 for which the 2023/24 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Katy Kerr

Chief Finance Officer – Health and Social Care Partnership

Dumfries and Galloway Integration Joint Board

Proposed 2023/24 Annual Audit Report



 AUDIT SCOTLAND

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

September 2024

Contents

Key messages	3
Introduction	5
1. Audit of 2023/24 annual accounts	7
2. Financial management and sustainability	11
3. Vision, leadership and governance	16
4. Use of resources to improve outcomes	19
Appendix 1. Action Plan 2023/24	23

Key messages

2022/23 annual accounts

- 1 Audit opinions on the annual accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

Financial management and sustainability

- 2 The IJB's financial management and reporting arrangements are well established.
- 3 The IJB delivered a balanced financial position in 2023/24 but only after receiving additional non-recurring funding of £20.018 million from NHS Dumfries and Galloway. The £9.160 million recurring savings target was not achieved. Despite this the IJB reserves balance at 31 March 2024 is £8.8 million.
- 4 The 2024/25 financial plan indicates a deficit of £20.079 million as well as the challenge of £16.4 million of recurring savings required.
- 5 The IJB needs to demonstrate how it will secure the financial sustainability of its services. A medium term financial plan should be developed to set out how the 3 year strategic commissioning plan will be delivered.

Vision, leadership and governance

- 6 The Strategic Commissioning Plan (SCP) 2022-25 sets out the IJB's priorities.
- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board and operated effectively.
- 8 The Integration Scheme has been revised and is awaiting approval by the Scottish Government.

Use of resources to improve outcomes

- 9 Performance management arrangements are effective with indicators and targets kept under review and the annual performance report for 2023/24 was published within the required timescales.
- 10 The number of national core performance indicators meeting or exceeding target has declined compared to the previous year, and those outwith acceptable standards have remained the same.

- 11** The annual assessment of Best Value is reflected in the Annual Governance Statement.

Introduction

1. This report summarises the findings arising from our 2023/24 audit of Dumfries and Galloway Integration Joint Board (the IJB). The scope of the audit was set out in our 2023/24 Annual Audit Plan presented to the Audit, Risk and Governance Committee on 22 February 2024. This Annual Audit Report comprises:

- significant matters arising from an audit of the IJB’s annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.
- a review of the arrangements put in place by the IJB to secure Best Value.

2. 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 in due course.

3. My team and I would like to thank Audit, Risk and Governance Committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance this year.

Responsibilities and reporting

4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

5. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

6. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the IJB from its responsibility to address the issues we raise and to maintain adequate systems of control.

7. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Communication of fraud or suspected fraud

8. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit and Governance Panel we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services, therefore the 2023/24 audit fee of £33,360 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability
- sharing intelligence and good practice identified.

1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

Audit opinions on the annual accounts are unmodified

11. The IJB's annual accounts for the year ended 31 March 2024 were approved by the IJB Board on 24 September 2024. 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 Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

12. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

Overall audit materiality was assessed as £10.365 million

13. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

14. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#) overleaf.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£10.365 million
Performance materiality	£7.775 million
Reporting threshold	£500 thousand

Source: Audit Scotland

15. The overall materiality threshold for the audit of the annual accounts of the IJB was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

16. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75 per cent of overall materiality, reflecting the fact there were no significant issues identified in the prior year audit impacting our audit approach.

17. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

The unaudited annual accounts were received in line with the agreed audit timetable

18. The unaudited annual accounts were received in line with our agreed audit timetable by 30 June 2024.

Significant findings and key audit matters

19. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the IJB, including our view about the qualitative aspects of the body's accounting practices.

20. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

21. We have no issues to report from the audit.

The format of the Comprehensive Income and Expenditure Statement has been updated to comply with applicable guidance

22. Our audit work identified in 2022/23 identified that the format of the Comprehensive Income and Expenditure Statement (CIES) in the 2022/23 accounts did not fully comply with applicable guidance. We agreed with the Chief Finance Officer last year that officers would consider this guidance when producing future years' annual accounts. On receipt of the 2023/24 unaudited accounts we identified that the format of the CIES had yet to be updated to comply with the applicable guidance and we requested that the CIES should be updated accordingly. Officers provided an updated version of the accounts with a revised CIES and we confirmed that we were satisfied that the format of the CIES was in accordance with the applicable guidance. This update also affected the figures disclosed in relation to 2022/23. These corrections had no impact on the deficit on the provision of services of £6.726 million in 2023/24 and £15.258 million in 2022/23.

Our audit work responded to the risks of material misstatement we identified in the annual accounts

23. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in ISA (UK) 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements), management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>We obtained assurances from the auditors of NHS Dumfries and Galloway and Dumfries and Galloway Council over the completeness, accuracy and allocation of income and expenditure.</p> <p>We evaluated any significant unusual transactions outside the normal course of business.</p>	<p>We did not identify any incidents of management override of controls through our audit testing.</p> <p>No significant unusual transactions were identified.</p> <p>There was no evidence of management override of controls from the work performed.</p>

Source: Audit Scotland

Performance reporting in the management commentary of the Annual Accounts was of a good standard

24. Management commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

25. The Management Commentary is of a good standard and clearly explains the IJB's strategy, finances and links to the financial statements. The statutory requirements relating to non-financial performance have been met.

Good progress was made on prior year recommendations

26. The IJB has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

2. Financial management and sustainability

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively. Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Main judgements

The IJB's financial management and reporting arrangements are well established.

The IJB delivered a balanced financial position in 2023/24 but only after receiving additional non-recurring funding of £20.018 million from NHS Dumfries and Galloway. The £9.160 million recurring savings target was not achieved.

The IJB reserves balance at 31 March 2024 is £8.8 million.

The 2024/25 financial plan indicates a deficit of £20.079 million as well as the challenge of £16.4 million of recurring savings required.

The IJB needs to demonstrate how it will secure the financial sustainability of its services. A medium term financial plan should be developed to set out how the 3 year strategic commissioning plan will be delivered.

Financial management and reporting arrangements are well established and allow members and officers to scrutinise the budget effectively

27. Comprehensive budget monitoring reports are presented to the IJB Board and the Finance, Performance and Quality Committee. These contain detail on the year to date financial position, forecast outturn for the year and, progress in delivering savings and update on financial risks of the in-year financial plan.

28. Detailed finance performance updates are presented quarterly. The updates provide detail on progress of recurring savings targets and in year directorate overspends.

The IJB delivered a balanced financial position in 2023/24 but only after receipt of additional non-recurring funding of £20.018 million from NHS Dumfries and Galloway

29. The 2023/24 financial plan was presented to the IJB Board on 26 April 2023. The draft financial plan was considered by the IJB Performance, Finance and Quality Committee on 13 April 2023. The plan identified a forecast deficit of £25.128 million, as well as savings proposals of £11.730 million to be achieved over more than one year. £9.160 million of recurring savings were planned for 2023/24.

30. The financial plan for 2023/24 approved by the IJB Board delegated budget of £365.044 million to NHS Dumfries and Galloway and £107.191 million to Dumfries and Galloway Council, to be spent in line with the IJB's Strategic Plan and savings and cost reductions identified.

31. The annual accounts show a balanced financial position in 2023/24. The financial outturn was only achieved due to additional non-recurring funding of £20.018 million provided by NHS Dumfries and Galloway to support the overspend in the health delegated budget, primarily through additional resources provided by the Scottish Government

32. Reserves of £15.5 million were brought forward from 2022/23 which were ringfenced and included reserves relating mainly to the Social Care Fund, Winter Planning Resource, Primary Care Improvement Funding and the Alcohol and Drug Partnership. As at 31 March 2024 these reserves had reduced to £8.8 million.

The IJB did not achieve its recurring savings target of £9.160 million in 2023/24

33. In order to balance planned expenditure with the resources delegated to it, the IJB has consistently set ambitious savings targets in recent years. As noted earlier, £9.160 million of recurring savings were planned for 2023/24. £14.011 million of non-recurring savings were also planned for 2023/24.

34. The Chief Finance Officer presented a finance update report on the 2023/24 year-end outturn to the Finance, Performance and Quality Committee on 9 July 2024. The report highlighted that savings of £19.798 million (including use of reserves of £1.892 million) were delivered in 2023/24 to achieve a balanced financial position. However, the report notes there was a shortfall on recurring savings of £3.985 million. The in-year shortfall on the recurring savings target will require to be delivered in 2024/25 in addition to the existing 2024/25 target and was a result of delays in the implementation of savings schemes. This has been built into the agreed Financial Plan position for 2024/25.

35. Management have recognised that slippage within the savings programme is contributing to the forecast overspend against budget. It is crucial that efforts to deliver the agreed savings are continued.

Audit work in response to risk relating to financial sustainability identified in the 2023/24 Annual Audit Plan

36. [Exhibit 3](#) sets out the wider scope risk relating Financial Sustainability identified in the 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 3

Risks identified from my wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability</p> <p>In recent years the IJB has achieved short-term financial balance. However, it continues to be faced with significant financial challenges over the medium and longer-term financial sustainability due to the uncertainty over future Scottish Government funding allocations, workforce pressures and the rising cost of inflation.</p> <p>The 2023/24 financial plan was presented to the IJB Board in April 2023. The plan identified a forecast deficit of £25.128 million, as well as savings proposals of £11.730 million to be achieved over more than one year, with £9.160 million of recurring savings planned for 2023/24.</p>	<p>We reviewed financial monitoring reports to assess the financial position, including progress in realising efficiency savings by each partner.</p> <p>We review updates to financial plans to assess the short and medium-term financial sustainability of the Joint Board.</p>	<p>As highlighted in Paragraph 31 above, the IJB achieved a balanced financial position in 2023/24. The financial outturn was only achieved due to additional non-recurring funding of £20.018 million provided by NHS Dumfries and Galloway to support the overspend in the health delegated budget.</p> <p>Paragraph 34 above shows that savings of £19.798 million (including use of reserves of £1.892 million) were delivered in 2023/24 to achieve a balanced financial position. However, there was a shortfall on recurring savings of £3.985 million which has been built into the agreed Financial Plan position for 2024/25.</p> <p>Paragraph 40 below highlights that work will continue to develop a financial strategy over the short and medium term which will respond to future challenges.</p>

Source: Audit Scotland

IJB Financial Plan 2024/25

37. The 2024/25 financial plan was presented to the IJB Board on 16 April 2024. The plan identified a forecast deficit of £20.079 million, after the deduction of a savings target of £20.857 million and planned use of IJB reserves of £1.008 million.

38. The financial plan for 2024/25 approved by the IJB Board delegates budget of £397 million to NHS Dumfries and Galloway and £112.823 million to Dumfries and Galloway Council, to be spent in line with the IJB's Strategic Plan and savings and cost reductions identified.

To support the 3 year strategic commissioning plan and demonstrate the financial sustainability of services, medium term financial planning should be developed

39. In our 2022/23 Annual Audit Report we recommended that a medium term financial plan should be prepared for the IJB to support the 3 year strategic commissioning plan. This recommendation has yet to be actioned.

40. However, we noted that the 2024/25 financial plan presented to the IJB Board on 16 April 2024 by the Chief Finance Officer states that, *“Work will continue to develop a financial strategy over the short and medium term which will respond to future challenges. This budget doesn't make any additional financial provision for future year changes in service delivery models and activity pressures which are anticipated given the demographic impacts to service delivery we are already seeing. We will need to work closely with our NHS and Council partners to provide funding solutions or agreed disinvestment strategies to allow for any future investments.”*

Financial systems of internal control operated effectively

41. The IJB is reliant on the systems of its partner bodies, NHS Dumfries and Galloway, and Dumfries and Galloway Council, for its key financial systems, including ledger and payroll. All IJB transactions are processed through the respective partners' systems and all controls over those systems are within the partner bodies rather than the IJB.

42. As part of our audit approach, we sought assurances from the external auditors of NHS Dumfries and Galloway and Dumfries and Galloway Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control for either the health board or the council.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

43. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at NHS Dumfries and Galloway and Dumfries and Galloway Council through consideration of the work by partner body auditors and found them to be adequate. The IJB has a Code of

Conduct in place to which members subscribe and the Members' Registers of Interest are publicly available on the websites of the partner bodies.

44. Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

3. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Main Judgements

The Strategic Commissioning Plan (SCP) 2022-25 sets out the IJB's priorities.

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board and operated effectively.

The Integration Scheme has been revised and is awaiting approval by the Scottish Government.

The Strategic Commissioning Plan (SCP) 2022-25 sets out the IJB's priorities

45. The IJB's SCP 2022-25 outlines the IJB's aims for delivering transformational change and sets out its:

- Vision and strategic direction
- Model of Health and Social Care and Support (Model of Care)
- Strategic Commissioning Intentions (SCIs)
- Tactical Priorities (TPs)
- Legislative tools available to the IJB for delivery of the SCP
- Partnership's approach to move from strategy to delivery
- Risks and challenges to delivery.

46. During 2023/24, the IJB focussed on delivering the SCP by mapping the actions from its Annual Delivery Plan (ADP) to the SCIs, Directions and the local Tactical Priorities. This approach aims to ensure the activities of the operational directorates within the IJB are aligned to the strategic direction agreed by the IJB Board. In addition, through a facilitated workshop and subsequent targeted

development and support, the IJB worked with colleagues from the third sector and independent provider partners to identify, develop and begin to deliver their innovative ideas to help the IJB realise a new agreed model of care. The IJB will draw learning from both of these approaches as it plans and implements the methods for delivery of the SCP in 2024/25 and beyond.

The Integration Scheme has been revised and is awaiting approval by the Scottish Government

47. The Public Bodies (Joint Working) (Scotland) Act 2014, places a legal duty on councils and health boards to review the Integration Schemes at least every 5 years to consider whether any changes are necessary or desirable. The Integration Scheme for the IJB was last updated in 2018.

48. In March 2020, the Scottish Government instructed that health boards and councils should ensure that, if their scheme was due for review, they should jointly carry out the minimum requirement of a review, and that this is acknowledged jointly and formally. This review can note anything that requires further work between partners and set out plans for the completion of that work at a later date, including the production of a successor scheme.

49. The light touch review undertaken for the IJB in 2020 detailed what it wanted to change but was not a fully consulted-on replacement scheme. That being the case, the review was sufficient to meet the requirements set out above. However, the task at that point was to develop those changes, consult on them, and submit the new scheme to Scottish Government for approval. In September 2020, a revised Integration Scheme following the light touch review was submitted. However, as this review did not include the necessary consultation laid out in legislation, formal approval was not granted.

50. In 2022/23, a review of the Integration Scheme took place between the IJB, health board and council and a revised and refreshed Integration Scheme was approved by the NHS Board and Dumfries and Galloway Council in December 2023. Thereafter, the Scheme was forwarded to Scottish Government for approval, with feedback received that some minor changes were required. This was resubmitted to the Scottish Government and, at this point, the IJB is awaiting formal approval by the Scottish Government.

Governance arrangements are appropriate and operate effectively

51. The IJB has established governance arrangements in place. The IJB has the following committees established:

- Finance, Performance and Quality Committee
- Strategic Planning Delivery and Commissioning Committee
- Transformation and Innovation Futures Committee
- Audit, Risk and Governance Committee.

52. All IJB Board meetings and committees took place via remote conferencing in 2023/24. Members of the public were able to attend open meetings where requested, and recordings of meetings are available on the website along with relevant papers and minutes.

53. We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making. Meetings continue to be held in a virtual environment in line with Scottish Government guidance.

Changes to the IJB Board

54. The Chair of the IJB stood down on at the meeting of the IJB Board on 23 March 2023 and a new Chair was appointed from the Dumfries and Galloway Council membership and assumed the position from 1 April 2023.

4. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Main Judgements

Performance management arrangements are effective with indicators and targets kept under review and the annual performance report for 2023/24 was published within the required timescales.

The annual assessment of Best Value is reflected in the Annual Governance Statement.

The number of national core performance indicators meeting or exceeding target has declined compared to the previous year, and those outwith acceptable standards have remained the same.

Performance management arrangements are effective with indicators and targets kept under review

56. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

57. The [Annual Performance Report for 2023/24](#) was approved by the IJB Strategic Planning Delivery and Commissioning Committee meeting of 23 July 2024 following the presentation of the draft Annual Performance Report for 2023/24 to the Finance, Performance and Quality Committee meeting on 9 July 2024. The report has been published on the IJB's website and focusses on the 3 mechanisms by which the IJB influences health and social care:

- developing strategy, plans and frameworks (strategic planning and commissioning)
- deciding how to use the integrated budget and

- agreeing with the NHS board and council what to commission and how to use the integrated budget to deliver the Strategic Commissioning Plan (issuing Directions)

58. The IJB has effective arrangements in place for managing and reviewing performance. The Finance, Performance and Quality Committee maintains oversight of the following at their quarterly meetings:

- Finance/Delegated Budget, Financial Plan
- Performance and Business Intelligence
- Quality Assurance Reports
- Annual Performance Report.

59. The IJB has appropriate arrangements in place for considering and reviewing national reports including any locally agreed actions.

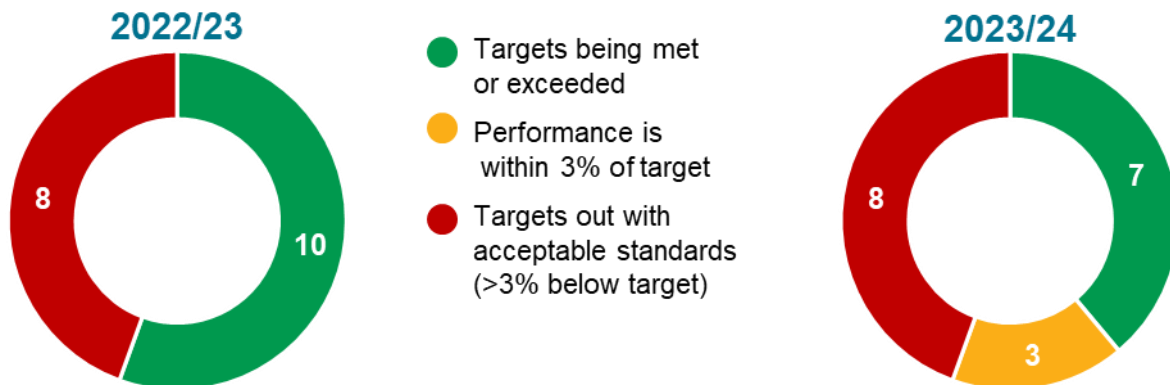
The IJB's annual performance report for 2023/24 was published within the required timescales

60. Integration authorities are required to publish an Annual Performance Report by the end of July each year. As noted above, the IJB's Annual Performance Report for 2023/24 was presented to the IJB Strategic Planning, Delivery and Commissioning Committee meeting on 23 July 2024 and is the third report relating to the new Strategic Commissioning Plan (SCP). The Performance Management Framework developed to support the SCP takes a broader, population health and longer term population outcomes approach.

The number of national core performance indicators meeting or exceeding target has declined compared to the previous year, and those outwith acceptable standards have remained the same

61. The Annual Performance Report for 2023/24 provides year on year trend analysis data for national core performance indicators. The report shows for the 20 national core indicators where data is published annually, 2023/24 data for 2 indicators has not yet been published. For the 18 indicators where 2023/24 data has been published, 7 indicators are shown as meeting or exceeding the target, 3 indicators are shown as being within 3 per cent of meeting the target and 8 indicators are shown as being more than 3 per cent away from meeting the target. The performance of the 18 indicators where 2023/24 data has been published is included at [Exhibit 4](#) overleaf, alongside the performance of the same 18 indicators in 2022/23.

Exhibit 4 National core performance indicators



Source: Dumfries and Galloway IJB 2023/24 Annual Performance Report

Arrangements are in place to secure Best Value, however these should be reported to IJB Board members more regularly

62. Integration authorities have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards the strategic objectives and holding partners to account.

63. In our 2022/23 Annual Audit Report we recommended that the IJB should complete a Best Value assessment statement on an annual basis to confirm that the IJB arrangements for Best Value remain fit for purpose and include details in the Annual Governance Statement. We confirmed the Annual Governance Statement within the IJB's 2023/24 Annual Accounts includes a reference to the Best Value assessment statement for 2023/24 that was presented to the Audit, Risk and Governance Committee on 17 September 2024.

The Accounts Commission's national report on IJBs' finance and performance was published in July 2024

64. In [2022](#) and in [2023](#), the Accounts Commission published bulletins setting out the financial performance of IJBs. At its August 2023 meeting, the Accounts Commission agreed to develop this report to reflect the known challenges facing social care in Scotland and report on wider service performance and outcomes alongside continued reporting on the financial health and financial challenges facing IJBs.

65. The Commission's Performance Audit Committee agreed [the scope for the first IJB Finance and Performance report](#) at its November 2023 meeting. The scope reflected the Commission's decision that the report will be its primary vehicle to comment annually on IJBs' financial and wider performance. The

scope also included a 'spotlight' on social care commissioning and procurement.

66. The Accounts Commission's report [Integration Joint Boards' Finance and Performance 2024](#) was published in July 2024 and recommended that IJBs should:

- Ensure that their Medium-Term Financial Plans are up to date and reflect all current known and foreseeable costs to reflect short and longer term financial sustainability challenges.
- Ensure that the annual budgets and proposed savings are achievable and sustainable. The budget process should involve collaboration and clear conversations with IJB partners, workforce, people who use services and other stakeholders around the difficult choices required to achieve financial sustainability while addressing the needs of individuals.
- work collaboratively with other IJBs and partners to systematically share learning to identify and develop service redesign focused on early intervention and prevention.
- work collaboratively with other IJBs and partners to understand what data is available and how it can be developed and used to fully understand and improve outcomes for those using IJB commissioned services. This should include a consideration of gaps in data.
- Evaluate whether the local commissioning of care and support services, and the contracting of these services, adheres to the ethical commissioning and procurement principles, improving outcomes for people.

Recommendation 1

The IJB should ensure that the findings of the Accounts Commission's 2024 national report on the finance and performance of IJBs should be considered by the IJB Board and action taken to address the recommendations within the report.

Appendix 1. Action Plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. National report on IJBs' finance and performance 2024</p> <p>The Accounts Commission's report Integration Joint Boards' Finance and Performance 2024 was published in August 2024 and contains a number of recommendations for IJBs to address.</p> <p>The IJB is not delivering improved outcomes which is a risk for the sustainability of services.</p>	<p>The IJB should ensure that the findings of the Accounts Commission's 2024 national report on the finance and performance of IJBs should be considered by the IJB Board and action taken to address the recommendations within the report.</p> <p>Paragraph 66.</p>	<p>Accepted</p> <p>The IJB has scheduled a workshop on 9 October 2024 for IJB Board members to discuss the contents of this national report and agree the next steps and actions to be taken.</p> <p>Interim Chief Officer</p> <p>March 2025</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>b/f 1. Financial Sustainability</p> <p>The IJB has yet to develop a medium-term financial plan to demonstrate how services will be sustained in the future.</p>	<p>A medium term financial plan should be prepared for the IJB to support the strategic commissioning plan.</p> <p><u>Agreed management action:</u></p> <p>This will be reviewed and developed as part of the 2024/25 budget process.</p> <p>Chief Finance Officer</p> <p>June 2024</p>	<p>Work in progress</p> <p>The 2024/25 financial plan presented to the IJB Board on 16 April 2024 by the Chief Finance Officer states that, "Work will continue to develop a financial strategy over the short and medium term which will respond to future challenges. This budget doesn't make any additional financial provision for future year changes in service delivery models and activity pressures which are anticipated given the</p>

Issue/risk	Recommendation and Agreed Action	Progress
		<p><i>demographic impacts to service delivery we are already seeing. We will need to work closely with our NHS and Council partners to provide funding solutions or agreed disinvestment strategies to allow for any future investments.”</i></p> <p>See Paragraph 40</p>
<p>b/f 2. Achievement of Best Value</p> <p>Although a Best Value Assurance Statement was produced for 2022/23, the details have not been included in the Annual Governance Statement in the IJB’s Annual Accounts in order to demonstrate how the IJB achieves Best Value across the eight key themes.</p>	<p>The IJB should complete the Best Value Assessment Statement on an annual basis to confirm that the IJB arrangements for Best Value remain fit for purpose and include details in the Annual Governance Statement.</p> <p><u>Agreed management action:</u></p> <p>We will bring forward our timescales for reviewing our Best Value Assurance Statement and incorporate earlier into our processes for assurance and review.</p> <p>Chief Officer</p> <p>June 2024</p>	<p>Implemented</p> <p>We confirmed the Annual Governance Statement within the IJB’s 2023/24 Annual Accounts includes a reference to the Best Value assessment statement for 2023/24 that was presented to the Audit, Risk and Governance Committee on 17 September 2024.</p> <p>See Paragraph 63</p>

Dumfries and Galloway Integration Joint Board

Proposed 2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk