102 West Port
Edinburgh EH3 9DN

8 Nelson Mandela Place
Glasgow
G2 1BT

The Green House
Beechwood Business Park North
Inverness
IV2 3BL

T: 0131 625 1500
E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

AUDIT SCOTLAND

Audit and Performance Committee – 23 September 2020

Audit of West Dunbartonshire Integration Joint Board 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of the outstanding information detailed at paragraph **9**, and 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 2020 (the proposed report is attached at **Appendix A**).

Annual audit report

2. We also present for your consideration our proposed annual audit report on the 2019/20 audit. International Standard on Auditing (UK) 260 (Communication with those charged with governance) requires external auditors to report specific matters arising from the audit of the annual accounts to those charged with governance in sufficient time to enable appropriate action. Within the proposed annual audit report the section headed "Significant findings" sets out the issues we consider should be drawn to your attention in accordance with ISA 260.

3. The annual audit report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This annual audit report will be issued in its final form after the audited annual accounts have been authorised for issue and the independent auditor’s report has been certified.

Unadjusted misstatements

5. We are required to report to those charged with governance, all unadjusted misstatements, other than those of a trivial nature and request that they be corrected. We can confirm that there are no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Audit and Performance Committee we also seek confirmation that we have been informed of:
   - instances of any actual, suspected or alleged fraud;
   - events that have occurred since 31 March 2020 which could have a significant impact on the annual accounts;
   - any instances of material non-compliance with legislation and regulations.

Representations from Section 95 Officer

7. International Standard on Auditing (UK and Ireland) 580 (Management representations) requires auditors to obtain evidence on certain matters from management. Accordingly, as part of the completion of our audit we seek written assurances from the Chief Finance Officer on aspects of the financial statements and judgements and estimates made.

8. A template letter of representation is attached at **Appendix B**. These should be reviewed for accuracy and any proposed amendment discussed with us. Once satisfied, the letter should be signed and returned to us by the Chief Finance Officer (Section 95 Officer) with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding information

9. Both NHS Greater Glasgow and Clyde and West Dunbartonshire Council process transactions on behalf of West Dunbartonshire IJB. An understanding of the controls in place and audit testing carried-out is gained from the respective external audit teams. The ISA 402 assurance letter from the NHS Greater Glasgow and Clyde external audit team is outstanding (expected 15th September 2020).

Acknowledgement

10. We would like to thank all management and staff for their cooperation and assistance during the audit.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of West Dunbartonshire Integration Joint Board and the Accounts Commission

Report 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 West Dunbartonshire Integration Joint Board for the year ended 31 March 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the West Dunbartonshire Integration Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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 under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is 3 years. I am independent of the 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 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Chief Financial Officer and West Dunbartonshire Integration Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial 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 Financial 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 Financial Officer is responsible for assessing the 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 deemed inappropriate.

The West Dunbartonshire Integration Joint 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 economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. 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 matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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; or

- there has been a failure to achieve a prescribed financial objective.

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 120 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

24 September 2020

APPENDIX B: Template letter of Representation (ISA 580)

<Signed copy of ISA 580 letter to be provided on headed paper with signed 2019/20 Annual Accounts>

Fiona Mitchell-Knight, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Fiona

West Dunbartonshire Integration Joint Board
Annual Accounts 2019/20

1. This representation letter is provided in connection with your audit of the annual accounts of West Dunbartonshire Integration Joint Board for the year ended 31 March 2020 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 Audit and Performance Committee, the following representations given to you in connection with your audit of West Dunbartonshire Integration Joint Board's annual accounts for the year ended 31 March 2020.

General

3. West Dunbartonshire Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 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 West Dunbartonshire 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 2019/20 (2019/20 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 West Dunbartonshire Integration Joint Board at 31 March 2020 and the transactions for 2019/20.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 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 West Dunbartonshire 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 West Dunbartonshire 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 West Dunbartonshire Integration Joint Board's ability to continue as a going concern.

Fraud

10. 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

11. 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

12. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the West Dunbartonshire Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

13. 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

14. 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

15. I confirm that the West Dunbartonshire Integration Joint Board has undertaken a review of the system of internal control during 2019/20 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.

16. 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 2020, which require to be reflected.

Balance Sheet

17. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Julie Slavin
Chief Finance Officer

West Dunbartonshire Integration Joint Board

Proposed 2019/20 Annual Audit Report

AUDIT SCOTLAND

Prepared for West Dunbartonshire Integration Joint Board and the Controller of Audit
23 September 2020

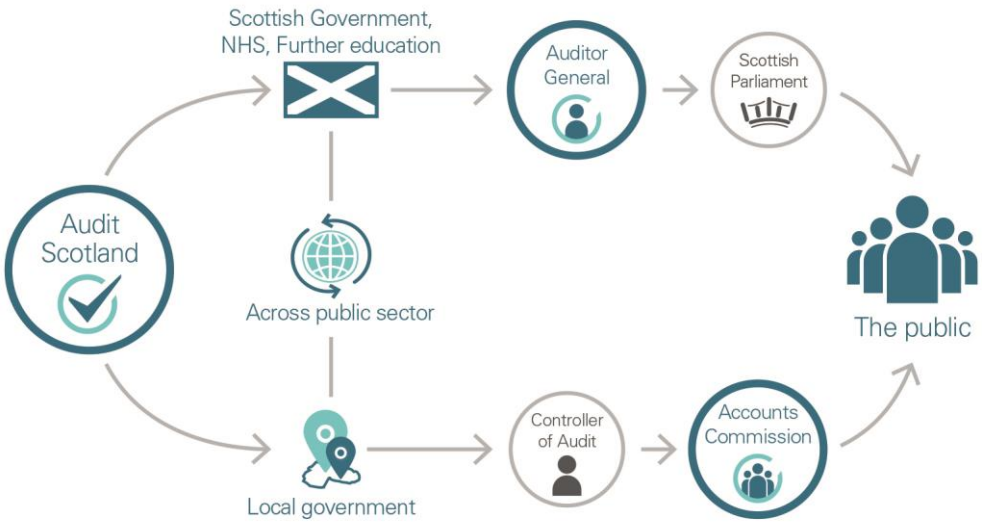
Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Key messages 4

Introduction 5

Part 1 7
Audit of 2019/20 annual accounts

Part 2 11
Financial management and sustainability

Part 3 16
Governance, transparency and best value

Appendix 1 22
Action plan 2019/20

Appendix 2 25
Significant audit risks identified during planning

Appendix 3 28
Summary of national performance reports 2019/20

Key messages

2019/20 annual report and accounts

1 **West Dunbartonshire IJB's financial statements give a true and fair view of the financial position for the year ended 31 March 2020. They were properly prepared in accordance with regulations and guidance.**

2 **The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with proper accounting practices.**

Financial management and sustainability

3 **Financial management arrangements are in place to support effective scrutiny and the host bodies have sound systems of internal control in place over the key financial systems which the IJB rely upon.**

4 **The IJB reported a surplus of £0.883 million against the revised budget of £162.905 million for 2019/20 but demand pressures within Children and Families services have resulted in significant overspends against this budget in recent years.**

5 **The IJB approved an indicative 2020/21 revenue budget of £166.689 million in March 2020, prior to the full impact of the Covid-19 outbreak being known. The Scottish Government is providing additional Covid-19 funding but there remains a risk this is insufficient to cover all of the additional costs incurred by the IJB.**

6 **Covid-19 is likely to have a significant impact on the future financial plans of the IJB and the medium-term financial plan will require to be revisited once there is sufficient certainty around the longer-term financial impact on health and social care services.**

Governance, transparency and best value

7 **The IJB has appropriate governance arrangements in place to support effective decision making and accountability and conducts its business in an open and transparent manner.**

8 **The Covid-19 pandemic has impacted on the governance arrangements of the IJB since March 2020, but we have concluded that the revised arrangements put in place were appropriate in the circumstances.**

9 **The Annual Performance Report for 2019/20 has been delayed, in line with the Coronavirus Act 2020, and will be published by the 30 September 2020 extended deadline. This report should include details of how West Dunbartonshire IJB achieved Best Value in the 2019/20 financial year. We will review and report on this as part of our 2020/21 audit activity.**

10 **There is evidence that the IJB is making progress in shifting the balance of care and improving services and outcomes for residents. The organisation should take advantage of further opportunities to actively share and exchange information with other IJBs across Scotland to learn from experiences elsewhere.**

Introduction

1. This report summarises our findings arising from the 2019/20 audit of West Dunbartonshire Integration Joint Board (the IJB).

2. We aim to add value to the IJB through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvement that are accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides, and
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Scope of our audit

3. The scope of our audit was set out in our *Annual Audit Plan*. This report comprises the findings from:

- our audit of the IJB's annual accounts, and
- our consideration of the wider audit dimensions that frame the wider scope of public audit, Exhibit 1, as set out in the *Code of Audit Practice 2016*.

Exhibit 1
Audit dimensions

Source: *Code of Audit Practice 2016*

Impact of Covid-19

4. Subsequent to the publication of our 2019/20 Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the Covid-19 pandemic. This impacted on the final month of the financial year and continues to have a significant impact into 2020/21. This has had major implications for the provision and costs of services since March 2020. Our planned audit work has been adapted for the new emerging risks that relate to the audit of the financial statements and the wider dimensions of audit.

Ethical considerations

5. 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 and the 2019/20 audit fee of £26,560, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Responsibilities and reporting

6. The IJB is responsible 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, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the *Code of Audit Practice 2016*, supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability, and best value arrangements.

9. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.

10. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. 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 from its responsibility to address the issues we raise and to maintain adequate systems of control. An agreed action plan is included at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation.

11. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website: www.audit-scotland.gov.uk

Acknowledgement

12. We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts

Main judgements

West Dunbartonshire IJB's financial statements give a true and fair view of the financial position for the year ended 31 March 2020. They were properly prepared in accordance with regulations and guidance.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with proper accounting practices.

Our audit opinions on the annual accounts are unmodified

13. The annual accounts for the year ended 31 March 2020 were approved by the board on 23 September 2020. We reported within the independent auditor's report that:

- 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 annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The annual accounts are the principal means for the IJB accounting for the stewardship of resources to its external stakeholders.

Despite the impact of Covid-19, the annual accounts were produced and audited in line with the original timetable

14. Despite the disruption caused by Covid-19, the Joint Board did not elect to postpone the preparation of its Annual Accounts. The unaudited Annual Accounts were submitted to us on 19 June 2020 in line with the original agreed timetable.

15. The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly. The Independent Auditor's Report was issued and signed off, on 23 September, in line with the original timetable.

Our audit testing reflected the calculated materiality levels

16. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

17. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual report and accounts.

18. Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit and was based on the financial results reported in the 2018/19 audited annual accounts. These levels were reported in our *Annual Audit Plan*.

19. On receipt of the unaudited 2019/20 annual accounts we recalculated our materiality levels based on the actual financial results for the year ended 31 March 2020. Our final materiality levels are summarised in Exhibit 2. We concluded that there was no significant impact on the audit approach of the recalculated materiality levels.

Exhibit 2
Materiality values

Overall materiality: This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure based on the 2019/20 annual accounts.	£3.132 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 70% of overall materiality.	£2.192 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1.5% of planning materiality.	£0.050 million

Source: Audit Scotland

Our audit identified and addressed the risks of material misstatement

20. Appendix 2 provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team are directed. The appendix also identifies the work we undertook to address these risks and our conclusions from this work.

We reported the significant findings from the audit to those charged with governance

21. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices including accounting policies, accounting estimates and financial statements disclosures.

22. The significant findings are summarised in Exhibit 3. Our audit also identified some minor presentational and disclosure issues which were discussed with management. These were all adjusted and reflected in the audited annual accounts and none were significant enough to require to be separately reported under ISA 260.

Exhibit 3
Significant findings from the audit of the financial statements

1. Hospital acute services (set aside)

The "set aside" budget is the Joint Board's share of the budget for delegated acute services provided by hospitals on behalf of the Joint Board.

A figure for the sum set aside is agreed each year with NHS Greater Glasgow and Clyde and included in the annual accounts. In previous years the calculation of this figure was based on historical cost and activity data.

From 2019/20 the set aside value is now based on a detailed approach including actual spend and activity levels for the year where the information is available and estimated annual activity where it is not.

This new methodology was also applied to the prior year set aside figure. This resulted in the 2018/19 figure being restated from £18.210 million in the prior year annual accounts to £29.522 million.

The IJB continue to work with NHS Greater Glasgow and Clyde and the other IJB's in the Glasgow area to improve the operation of set aside and collection of activity data.

A draft Unscheduled Care Commissioning Plan was reported to the Board in June 2020. This commissioning plan represents the first step in moving towards delegated hospital budgets and set aside arrangements within Greater Glasgow and Clyde. However, consideration should be given on whether this plan requires revision to reflect ongoing Covid-19 Recovery Plans.

We have no misstatements above our reporting threshold to report

23. It is our responsibility to request that all misstatements above the reporting threshold are corrected. We have no misstatements above our reporting threshold to report from the 2019/20 audit.

The management commentary in the 2019/20 accounts included detail of how the IJB performed against budget, but there is scope to further improve the content and layout of the management commentary

24. The management commentary that accompanies the financial statements should clearly explain how the IJB has performed against budget and how this is reconciled to the financial statements.

25. The management commentary in West Dunbartonshire IJB 2019/20 annual accounts details the final outturn position for the year against budget, with explanations given for significant overspends and underspends. The final outturn reported in the narrative is in line with the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement.

26. Management had agreed to revise the content and layout of the management commentary this year to improve the overall presentation and accessibility of the information for readers of the accounts. However, the extent they were able to do this was limited by the significant demands on finance staff during the account's preparation period due to Covid-19. Despite this, we have noted some improvements to the management commentary this year, and a good overview has been included on the impact of the Covid-19 pandemic.

27. Management has agreed to look at making further improvements to the content and layout of the management commentary in future years, including greater use of infographics and trend analysis over time. We will continue to work with officers to make further improvements in 2020/21.

Progress against our prior year recommendations is reported at Appendix 1

28. The IJB has made progress in implementing our prior year recommendations but there remain some that are still to be fully addressed. These are set out in Appendix 1.

Part 2

Financial management and sustainability

Main judgements

Financial management arrangements are in place to support effective scrutiny and the host bodies have sound systems of internal control in place over the key financial systems which the IJB rely upon.

The IJB reported a surplus of £0.883 million against the revised budget of £162.905 million for 2019/20 but demand pressures within Children and Families services have resulted in significant overspends against this budget in recent years.

The IJB approved an indicative 2020/21 revenue budget of £166.689 million in March 2020, prior to the full impact of the Covid-19 outbreak being known. The Scottish Government is providing additional Covid-19 funding but there remains a risk this is insufficient to cover all of the additional costs incurred by the IJB.

Covid-19 is likely to have a significant impact on the future financial plans of the IJB and the medium-term financial plan will require to be revisited once there is sufficient certainty around the longer-term financial impact on health and social care services.

Financial management arrangements are in place to support effective scrutiny

29. The IJB does not have any assets, nor does it directly incur expenditure or employ staff other than the Chief Officer and Chief Financial Officer. All expenditure and income relating to services delegated to the IJB is incurred by NHS Greater Glasgow and Clyde or West Dunbartonshire Council and processed through the respective financial systems. Satisfactory arrangements are in place to identify expenditure and income and report the financial information to the Joint Board.

30. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We are satisfied that the standing financial instructions and standing orders are sufficiently comprehensive, and that reports monitoring performance against budget are accurate and provided regularly to the Joint Board and Performance and Audit Sub-Committee.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

The host bodies have sound systems of internal control in place over the key financial systems which the IJB rely upon

31. As noted above, the IJB does not have any financial systems of its own. Instead, it relies upon the financial systems of its host bodies, West Dunbartonshire Council and NHS Greater Glasgow and Clyde, to record all transactions. The key financial systems which the IJB rely upon include the general ledger, trade payables, trade receivables and payroll.

32. As part of our audit approach we sought assurances from the external auditors of the host bodies (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control for either body which could directly impact on the IJB.

The IJB approved a 2019/20 revenue budget of £159.646 million in March 2019

33. The IJB held a special meeting on 28 March 2019 to conditionally approve the 2019/20 budget based on the indicative funding allocation from NHS Greater Glasgow and Clyde and subject to formal approval by the health board. The health board funding was formally approved on 16 April 2019.

34. The 2019/20 IJB revenue budget was set at £159.646 million based on funding contributions of £67.813 million from West Dunbartonshire Council and £91.133 million from NHS Greater Glasgow and Clyde, and anticipated savings of £2.227 million. The budget included a funding gap of £0.700 million and the Board approved the application of a proportion of the new Scottish Government funding for investment in integration to bridge this gap.

The IJB reported a surplus of £0.883 million against the revised budget of £162.905 million for 2019/20

35. During the year, a number of revisions were made to the initial budget, mainly linked to the receipt of additional funding for Scottish Government initiatives. This resulted in the final budget for the year increasing to £162.905 million. The IJB reported a surplus of £0.883 million against the revised budget, comprising an underspend of £0.409 million for services delivered by West Dunbartonshire Council and an underspend of £0.474 million for services delivered by NHS Greater Glasgow and Clyde.

36. The final outturn showed the IJB achieved £1.873 million of the budgeted savings of £2.227 million, with £0.354 million not delivered.

Demand pressures within Children and Families services have resulted in significant overspends against this budget in recent years

37. While the IJB reported an overall surplus for 2019/20, there were a number of significant underspends and overspends reported against specific service budgets during the year, Exhibit 4.

38. During 2018/19 the IJB reported a significant overspend of £2.262 million (11.2 per cent) against the Children and Family Services budget due to demand pressures on these services. As a result, this budget was increased by £1.882 million (9.3 per cent) to £22.131 million for 2019/20. Despite this, the IJB again reported a significant overspend of £2.767 million against this budget, as shown in Exhibit 4, due to similar demand pressures on these services.

39. The year-on-year increases in Children and Family Services expenditure clearly presents a significant risk to the sustainability of these services in the future and presents a major challenge for the IJB to operate within its annual budget. To address this, the Head of Children and Families Services is currently reviewing the underlying reasons for the increase in demand for these services. This is also a key focus of the projects being supported by the IJB's Service improvement Leads.

Exhibit 4
Significant service underspends and overspends

	£m	£m	£m	%	Main factors
Children and Families	22,131	24,898	(2,767)	(12.5)	• £1.767 million overspend within residential care due to increasing demand for high cost care packages, including £0.490 million related to children placed within residential schools. • £0.857 million overspend within community placements due to higher than anticipated level of kinship and external foster placements.
Older People, Health and Community Care	45,855	44,207	1,648	3.6	• Underspend mainly attributable to reduced demand for care home/ nursing beds arising from shorter stays and supporting people at home for longer.
Mental Health Services	10,156	9,317	839	8.3	• £0.579 million underspend for adult and elderly mental health services due to additional income from NHS Highland for access to in-patient beds. • £0.252 million underspend due to unfilled vacant social care posts.
Strategy, Planning and Health Improvement	1,850	1,301	549	29.7	• £0.204 million underspend in health services due in part to delays in the recruitment of vacant posts and service redesign of smoking cessation services. • £0.383 million underspend in social care services due to vacant posts and recharge of certain staff costs to capital.

Source: West Dunbartonshire Integration Joint Board 2019/20 Annual Accounts

The IJB's unearmarked reserve balance at 31 March 2020 was above the two per cent target set out in the reserves policy

40. The IJB's reserves policy recommends the level of unearmarked reserves be maintained at two per cent of net expenditure (excluding Family Health Services). This equated to £2.800 million for 2019/20 and the balance at 31 March 2020 was £2.809 million, £0.009 million above the target set by the Board. The movement in the IJB's year-end reserve balances since 2016/17 is shown in Exhibit 5.

41. £5.254 million of the IJB's reserve balance at 31 March 2020 has been earmarked. It is important that amounts are only earmarked where there is a known commitment, or approval to use those amounts for a specific purpose, and this is clearly communicated to elected members and other stakeholders. We are pleased to note that all earmarked elements represent genuine commitments and have been clearly explained within the management commentary in the 2019/20 annual accounts.

Exhibit 5
Reserves 2016/17 to 2019/20

Unearmarked Reserves	2.080	1.706	2.457	2.809
Earmarked Reserves	3.488	4.436	4.723	5.254
Total Reserves	**5.568**	**6.142**	**7.180**	**8.063**

Source: West Dunbartonshire Integration Joint Board 2018/19 and 2019/20 Annual Accounts

The IJB approved an indicative 2020/21 revenue budget of £166.689 million in March 2020, prior to the full impact of the Covid-19 outbreak being known

42. On 25 March 2020 the Joint Board approved an indicative revenue budget for 2020/21 of £166.689 million based on a funding contribution of £70.650 million from West Dunbartonshire Council and an indicative funding contribution of £96.039 million from NHS Greater Glasgow and Clyde, and anticipated savings of £1.705 million. The budget was developed prior to the Covid-19 outbreak in the UK and members noted when approving the budget that it would require to be revisited throughout the year as more information on the full cost implications, and any additional funding, was known.

The Scottish Government is providing additional Covid-19 funding but there remains a risk this is insufficient to cover all of the additional costs incurred by the IJB

43. The *Financial Performance and Update Report* to the August Joint Board meeting reported that up to 23 July 2020 the IJB had incurred additional costs, and lost income, totalling £2.800 million due to Covid-19. The report also projected that the total impact of Covid-19 on the 2020/21 budget would be £8.145 million.

44. The Scottish Government has indicated that additional funding will be provided to IJBs to help meet the extra costs associated with the Covid-19 global pandemic. Up to 23 July 2020, West Dunbartonshire IJB had received SG funding of £1.294 million (£0.898 million to support immediate challenges in the social care sector and £0.396 million to support the St Margaret of Scotland Hospice).

45. A further £6.851 million of SG funding is anticipated for 2020/21 to fully cover the projected additional costs to the IJB of £8.145 million. However, confirmation of this funding has not yet been received and there remains a risk that the additional SG funding may not be sufficient to cover all the additional costs, and lost income, incurred by the IJB.

46. Management has advised that since the August 2020 Joint Board meeting, the IJB has received a further £1.749 million of additional Covid-19 funding for 2020/21. Updated expenditure projections also show that the additional costs to the IJB for the financial year are now estimated to be in the region of £6.700 million. However, officers also highlighted that spend is a moving target as the IJB receives further guidance and as services adapt and respond to Covid-19 restrictions. The Board should ensure that contingency plans are developed to assist it in responding to any shortfall in SG funding.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Covid-19 is likely to have a significant impact on the future financial plans of the IJB and the medium-term financial plan will require to be revisited once there is sufficient certainty around the longer-term financial impact on health and social care services

47. Medium and long-term financial planning is an important part of strong financial management. It is important that the IJB considers possible future funding scenarios and options for services in the medium to long term, taking into account the impact of changes in demand for services.

48. The Board approved a medium-term financial plan covering the period 2020/21 to 2024/25 at its March meeting. This set out anticipated income and expenditure for the next five years based on assumptions around pay inflation, service demand, demographic changes and prescribing pressures, and used scenario planning to project potential future budget gaps based on the likely, worst case and best case scenarios, Exhibit 6. The plan also included indicative financial data for the period to 2029/30.

Exhibit 6
Scenario planning to project potential future budget gaps

Best	0.055	1.510	3.910	4.812
Likely	1.492	2.995	4.725	6.397
Worst	5.184	6.790	8.626	10.408

Source: West Dunbartonshire Integration Joint Board Medium Term Financial Plan 2020/21–2024/25

49. As with the 2020/21 budget, paragraph 42, the medium-term financial plan was developed prior to the Covid-19 outbreak in the UK. This will therefore require to be revisited once there is sufficient certainty around the longer-term financial impact of Covid-19 on health and social care services.

Recommendation 1 (Appendix 1 - Action Plan)

Part 3

Governance, transparency and best value

Main judgements

The IJB has appropriate governance arrangements in place to support effective decision making and accountability and conducts its business in an open and transparent manner.

The Covid-19 pandemic has impacted on the governance arrangements of the IJB since March 2020 but we have concluded that the revised arrangements put in place were appropriate in the circumstances.

The Annual Performance Report for 2019/20 has been delayed, in line with the Coronavirus Act 2020, and will be published by the 30 September 2020 extended deadline. This report should include details of how West Dunbartonshire IJB achieved Best Value in the 2019/20 financial year. We will review and report on this as part of our 2020/21 audit activity.

There is evidence that the IJB is making progress in shifting the balance of care and improving services and outcomes for residents. The organisation should take advantage of further opportunities to actively share and exchange information with other IJBs across Scotland to learn from experiences elsewhere.

The IJB has appropriate governance arrangements are in place to support effective decision making and accountability

50. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. The governance and transparency arrangements we consider include:

- board and committee structure and conduct
- openness of board and committees, and
- the level of challenge and scrutiny at board and committee meetings.

51. The Integration Scheme between WDC and NHSGGC sets out the governance arrangements for the IJB. The IJB is responsible for strategic planning, management and delivery of the health and social care services delegated to it.

52. The Joint Board is responsible for the strategic commissioning of health and social care services in West Dunbartonshire. It is also responsible for setting priorities and policies in the context of legislative requirements and has an obligation to report, explain and be accountable for decisions. It comprises 22 members: 6 voting members, split equally between the two partnerships, and 16 non-voting members, made up of professional members and stakeholder representatives.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

53. The Joint Board is supported by a Chief Officer who provides overall strategic and operational advice and is directly accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of West Dunbartonshire Council, and the Chief Executive of NHS Greater Glasgow and Clyde.

54. The committee structure of the IJB comprises the Board and the Audit and Performance Committee. Our observations from attendance at these meetings is that they are conducted in a professional manner and there is a high level of scrutiny and challenge by members.

55. Overall, we have concluded that the IJB has appropriate governance arrangements in place to support effective decision making and accountability.

The Covid-19 pandemic has impacted on the governance arrangements of the IJB since March 2020 but we have concluded that the revised arrangements put in place were appropriate in the circumstances

56. The impact of Covid-19 from March 2020 has been set out in the Governance Statement in the IJB's annual accounts. We note that the following steps were taken to amend governance arrangements:

- It was agreed at the 25 March 2020 HSCP Board meeting that normal governance arrangements were to be suspended and that if required to meet immediate operation demand on decisions, the Board delegated authority to the Chief Officer in consultation with the Chair and Vice Chair of the HSCP Board and the Chief Financial Officer.
- Meetings of the Joint Board and the Audit and Performance Committee continued in accordance with the previously agreed timetable however, meetings were held virtually via teleconferencing and video-calls.
- Attendance is limited to voting members, key officers and external audit, with members invited to submit questions in advance of the meeting, responses to which are circulated to all members.
- Minutes and agendas for all meetings continue to be available on the Joint Board's website.

57. The steps taken by the Joint Board enabled it to ensure governance arrangements operated as close to normal as possible. We have concluded that the revised arrangements put in place were appropriate in the circumstances.

Good Practice – Covid-19 member briefings

Since March 2020 the IJB has produced regular and comprehensive member briefings to keep them abreast of developments in relation to Covid-19 and how this is impacting on the delivery of health and social care services across West Dunbartonshire. These include responses to members questions to ensure that all members have the most up-to-date information for any queries raised.

The IJB conducts its business in an open and transparent manner

58. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

59. Full details of the meetings held by the IJB are available through their website and members of the public are permitted to attend and observe these meetings. Board and Audit and Performance Committee agendas, papers and minutes are also available on the IJB's website. The Board receives regular financial monitoring reports which are clear and concise, and these form part of the public Board papers.

60. The financial information disclosed in the management commentary in the 2019/20 annual accounts was consistent with both the financial statements and the financial monitoring reports presented to the IJB throughout the year.

61. We have concluded that the IJB conducts its business in an open and transparent manner.

The Audit and Risk Manager provided reasonable assurance over the adequacy and effectiveness of the systems of governance, risk management and internal control

62. Internal audit provides the Joint Board, the Chief Officer and the Chief Financial Officer with independent assurance on the organisation's overall risk management, internal control and corporate governance processes. The Internal audit function for West Dunbartonshire Integration Joint Board is provided by West Dunbartonshire Council, overseen by the Audit and Risk Manager.

63. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

64. PSIAS requires the "chief audit executive" to provide an annual internal audit opinion and report that can be used to inform the annual governance statement. The internal audit opinion was presented to the Joint Board on 23 September 2020 and, overall, provided reasonable assurance over the adequacy and effectiveness of the systems of governance, risk management and internal control for the year to 31 March 2020.

We considered the work of internal audit during 2019/20 as part our wider audit dimensions work

65. We reviewed the IJB's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit.

66. We did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work but considered the following internal audit report findings as part of our wider audit dimension work:

- Social Work – Case Management
- Social Care – Attendance Management
- CM 2000 Functionality Review

67. The Social Work – Case Management internal audit report included 1 high level and 8 medium level priority recommendations. These included actions relating workload management, recruitment of additional social workers to meet demand, and improvements to case allocation and review arrangements. Progress on these recommendations will be monitored through updates taken to the Audit and Performance Committee.

The host bodies have appropriate arrangements for the prevention and detection of fraud and error

68. Each partner body has a code of conduct for members and staff which sets out the standards expected in undertaking their duties. In addition, each partner body has its own arrangements for the prevention and detection of fraud, and these are subject to audit. We received assurances from the auditors of West Dunbartonshire Council and NHS Greater Glasgow and Clyde (in accordance with ISA 402) and have no issues to bring to your attention.

The outcome of the IJB's formal review of the arrangements in place to secure best value will be reported within the 2019/20 Annual Performance Report

Best Value is concerned with using resources effectively and continually improving services.

69. Integration Joint Boards have a statutory duty to make arrangements to secure best value. To achieve this, IJBs should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in Exhibit 1, which are key components of securing best value in the provision of services and the use of resources.

70. In prior years, we have highlighted that whilst there is evidence of elements of best value being demonstrated by West Dunbartonshire IJB in a range of areas, there is no mechanism for formally reviewing and reporting on the arrangements to secure best value. We therefore recommended that the IJB agree a mechanism for undertaking a periodic and evidenced formal review of how it is achieving best value to be reported through the Annual Performance Report.

71. Officers have confirmed that the outcome of the review of the arrangements in place to secure best value will be reported within the 2019/20 Annual Performance Report. However, the Coronavirus (Scotland) Act 2020 has extended the deadline for publication of the report until 30 September 2020. We will therefore review and report on this as part of our 2020/21 audit activity.

There is evidence that the IJB is making progress in shifting the balance of care and improving services and outcomes for residents. The organisation should take advantage of further opportunities to actively share and exchange information with other IJBs across Scotland to learn from experiences elsewhere.

72. Following the December 2019 Audit and Performance Committee officers from across the IJB provided a members briefing session on the main activities and pressures within their service. This included details of the outcomes data being gathered and how this can be used to inform future operational and budget decisions. For example, the data suggests that residents placed in sheltered accommodation are less likely to end up requiring to go into a care home.

73. The £1.648 million underspend in the Older People, Health and Community Care budget for 2019/20, Exhibit 4, was mainly attributable to reduced demand for care home and nursing beds arising from shorter stays and supporting people at home for longer. This demonstrates that the IJB is making good progress in this area in shifting the balance of care and improving outcomes for residents.

74. As the IJB continues to gather more data on care pathways and outcomes it is important to harness this information to drive further progress in shifting the balance of care. There is also the opportunity to share and exchange more data with other IJBs across Scotland to learn from experiences elsewhere. When developing future plans the IJB should ensure they consider all available data to inform where they can best direct resources to deliver the improved outcomes for residents.

Recommendation 2 (Appendix 1 - Action Plan)

The IJB has good arrangements in place for managing and reporting performance and the format of the quarterly performance reports has been improved during the year

75. 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.

76. Under normal circumstances, The Public Bodies (Joint Working) (Scotland) Act requires IJB's to publish the annual performance report within four months of the year end (i.e. 31 July 2020). However, The Coronavirus Act 2020 (Schedule 6 part 3) permits public bodies to delay this publication up to the Act's expiry date on the 30 September 2020.

77. Due to the delay in the publication of the Annual Performance Report in line with this legislation, the annual performance report will be considered as part of our 2020/21 audit.

78. The IJB board receives performance reports on a quarterly basis, providing an update on progress in respect of key performance indicators and commitments. These reports are available to the public via the IJB website.

Good Practice – Quarterly Performance Reports

The most recent quarterly performance report to the 25 June 2020 HSCP Board meeting contained a new and improved layout and more live performance data for members. We welcome the revised reporting format which we believe will increase the Board's ability to take action to address emerging issues as they arise, and enable members to better scrutinise any pressure points in service delivery, and gain assurance that suitable action is being taken to address these.

79. Performance levels in the quarterly reports are measured against a suite of key performance indicators. Areas of positive performance against target in quarter 4 of 2019/20 included:

- Percentage of children on the Child Protection Register who have a completed and current risk assessment
- Percentage of carers who feel supported to continue in their caring role when asked through their Adult Carer Support Plan, and
- Percentage of 16 or 17 year olds in positive destinations (further/ higher education, training, employment) at point of leaving care.

80. Areas of poorer performance (i.e. where targets were missed by 15% or more) in quarter 4 report of 2019/20 included:

- Number of bed days lost to delayed discharge 18+ All reasons
- Child and Adolescent Mental Health Service (CANHS) 18 weeks referral to treatment, and
- Percentage of patients seen within 4 weeks for musculoskeletal physiotherapy services.

81. Overall, we have concluded that the IJB has good arrangements in place for managing and reporting performance.

Progress has made in improving sickness absence levels but this remains an area of challenging for the IJB

82. Sickness absence rates continue to be a challenging area within some areas of social care services. The Annual Governance Statement outlines improving sickness absence rates as an area for improvement in 2020/21. This was an area recommended for improvement in the Council's BVAR in 2017/18 and was also noted as an area for improvement in the 2018/19 annual accounts.

83. A new Supporting Wellbeing Policy was launched in West Dunbartonshire Council and master classes were also rolled out to assist in tackling sickness absence levels and we note that analysis of absence data shows a downward trend in 2019/20. We accept that delivering significant improvements in sickness absence levels will be a longer-term process and we will continue to monitor progress in this area during 2020/21.

National performance audit reports

84. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published reports which may be of interest to the IJB. These are listed in Appendix 3.

Appendix 1

Action plan 2019/20

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Revised financial plans to reflect Covid-19** Both the 2020/21 budget and the medium-term financial plan were developed prior to the Covid-19 pandemic. A further £6.851 million of Scottish Government funding is anticipated for 2020/21 to fully cover the projected additional costs to the IJB of £8.145 million. However, confirmation of this funding has not yet been received and there remains a risk that the additional funding may not be sufficient to cover all the additional costs, and lost income, incurred by the IJB.	The Board should ensure that that 2020/21 budget and medium-term financial plan are revisited as there is more certainty around the short, medium and longer-term financial impact of Covid-19 on health and social care services. Contingency plans should also be developed to assist it in responding to any potential shortfall in Scottish Government funding for Covid-19 costs. **Paragraphs 42 to 49**	The MTFP scenarios of "Likely" and "Worst" Case have been used as the basis for revising the projected budget gap for the impact of Covid-19 and Brexit. Early contingency plans include the earmarking of specific reserves for potential Covid-19 (and Brexit) driven demand and the potential application of general reserves. HSCP Recovery Plans recognise approved saving targets and these will continue to be tracked and reported to the IJB regularly. **Responsible Officer:** Chief Financial Officer **Agreed date:** March 2021
2	**Use of outcome data to shape future plans** As the IJB continues to gather more data on care pathways and outcomes, it is important to harness this information to drive further progress in shifting the balance of care. There is also the opportunity to share and exchange this data with other IJBs across Scotland to learn from experiences elsewhere.	When developing future plans the IJB should ensure they consider all available data to inform where they can best direct resources to deliver the improved outcomes for residents. **Paragraphs 72 to 74**	Actions to be taken to ensure IJB are well informed in its decision making. This will include how teams use data to inform operational decision making whilst also seeking to improve the quality of appropriate information to the IJB. Steps will be taken to consider national best practice in order to support good decision making in line with the delivery of the HSCP Strategic Plan. **Responsible Officer:** Head of Strategy and Transformation **Agreed date:** March 2021

Follow up of prior year recommendations

b/f 1	**Accounts inspection advert** The public inspection advert was published on 17 June, and the accounts were available for inspection from 21 June, therefore missing the 14-day notice period criteria. **Risk** The IJB is in breach of the Local authority Accounts (Scotland) Regulations 2014.	The IJB should ensure that it has procedures in place to ensure that the accounts inspection advert is published in line with criteria set out in the Local Authority Accounts (Scotland) Regulations 2014.	The 2019/20 accounts inspection advert was published in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations. **Completed**
b/f 2	**Savings Targets** The IJB was expected to make savings of £1.216 million in 2018/19. An update on progress against these savings was presented to the August 2018 Board, showing a projected saving of £0.960 million for the year-end. However, no further individual updates were reported throughout the year or at year-end other than within the projected outturn position. **Risk** There is a risk that the IJB is not achieving its savings targets.	The IJB should continue to improve on its mechanism for monitoring and reporting on its progress against efficiency savings targets on a regular basis.	The IJB was expected to make savings of £2.227 million in the 2019/20 financial year. An update on progress against these savings was presented to the February 2020 Board, showing that £1.914 million of savings had been achieved. However, no further update was reported to the Board on the final savings position for the 2019/20 year. It was noted that £0.354 million of savings were not achieved from the original £2.227 million savings target. **Ongoing**
b/f 3	**Financial Sustainability** Cost pressures remain within prescribing, and in Older Peoples Services and Children and Families, namely community placements, residential accommodation for both younger and older people and care at home. The most recent financial monitoring report covering the period 1 April – 30 June 2019 outlines an overspend of £0.235 million, and projects an outturn overspend of £0.954 million for 2019/20. Furthermore, the IJB is in breach of its target level of unearmarked reserves. **Risk** Continual pressures on IJB finances may result in a	The IJB should prioritise developing medium to long term financial plans to help manage cost and demand pressures.	The Board approved a medium-term financial plan covering the period 2020/21 to 2024/25 at its March meeting. This set out anticipated income and expenditure for the next five years based on assumptions around pay inflation, service demand, demographic changes and prescribing pressures, and used scenario planning to project potential future budget gaps based on the likely, worst case and best case scenarios. The plan also included indicative financial data for the period to 2029/30. **Completed**

	balanced budget not being delivered.		
b/f 4	**Audit Committee terms of reference** The Audit Committee terms of reference had an initial review date of April 2017. This was pushed back until 2018 but have yet to be updated. The current terms of reference have not been updated since 2015. **Risk** There is a risk that the current terms of reference not effective.	The IJB should update the terms of reference of the Audit Committee to ensure they remain effective.	The terms of reference were updated and approved by the Audit and Performance Committee on the 11 December 2019. The next review date is noted as the 13 November 2021. **Completed**
b/f 5	**Best Value** While there is evidence of elements of Best value being demonstrated by the IJB, there is no mechanism for formal review, and it is not being reported through the Annual Performance Report. **Risk:** Non-compliance with requirements outlining the content of the Annual Performance Report. Opportunities for continuous improvement are being missed.	The IJB should agree a mechanism for undertaking a periodic and evidenced formal review of how it is achieving Best Value. This should be included and reported through the Annual Performance Report.	Officers have confirmed that the outcome of the review of the arrangements in place to secure best value will be reported within the 2019/20 Annual Performance Report. However, the Coronavirus (Scotland) Act 2020 has extended the deadline for publication of the report until 30 September 2020. We will therefore review and report on this as part of our 2020/21 audit activity. **Ongoing**

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the *Code of Audit Practice 2016*.

Risks of material misstatement in the financial statements			
1	**Risk of material misstatement caused by management override of controls** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.	• *Owing to the nature of this risk, assurances from management are not applicable in this instance.*	Satisfactory written assurances were received from the external auditors of the council and health board regarding accuracy, allocation and cut off of IJB transactions. Journal entries were tested and no management override of control was identified.
2	**Risk of material misstatement caused by fraud in expenditure** The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. As the expenditure of WDIJB is processed through the financial systems of NHS Greater Glasgow & Clyde and West Dunbartonshire Council, there is a risk that expenditure that does not relate to the IJB is included in the accounts or that expenditure that does relate to the IJB is omitted from the accounts.	• Normal budget monitoring processes would establish and report the reasons for any unexpected fluctuations in expenditure during the year.	Satisfactory written assurances were received from the external auditors of WDC and NHSGGC regarding accuracy, allocation and cut off of IJB transactions.
3	**Hospital acute services (set aside)** The “set aside” budget is the Integration Joint Board’s share of the budget for delegated acute services provided by hospitals on behalf of the Joint Board.	• A working group of representatives from the six Glasgow IJB’s, the Scottish Government and NHSGGC are continuing to work on an agreed mechanism to accurately reflect the sum set aside.	Progress continues around the formalisation of “Set Aside” budgets with agreement across the Scottish Government, the health board and the six HSCP’s on robust data sets to allow for calculation and comparison of actual activity and associated costs. This has been reflected in

	The Board recently agreed an estimated figure for 2019/20, with a view to reflecting the true cost and activity from 1 April 2020. There is a risk that the sum set aside in the 2019/20 IJB accounts does not accurately reflect the true cost of acute services.		the annual accounts including a restatement of the 2018/19 set aside amount. .
4	**Financial sustainability** The financial monitoring report (for the period to 30 September 2019) showed a projected overspend for the year of £0.527 million. A recovery plan accompanied the financial monitoring report and set out the use of reserves to fund any overspend, after the application of mitigating actions. The reserves balance at 31 March 2019 was £2.457 million, which is below the IJB's reserve target of 2% of net expenditure (excluding Family Health Services expenditure). As at 19 February 2020, the financial report for the period to 31 December 2019 is now projecting an underspend for the year of £0.520 million. This is due to various reasons, including underspends within elderly care services and delays in recruiting to vacancies. There are currently no medium to long-term financial plans in place to demonstrate how the IJB will secure the financial sustainability of its services in the future. There is a risk that the IJB is not able to project its cost pressures effectively or identify savings and efficiencies timeously and is reliant on the use of reserves to deliver services and is not financially sustainable in the medium to long-term.	• Going concern assurance received from Chief Finance Officer of the IJB. • Recovery plans are in place to minimise the utilisation of reserves. • Medium-long term financial plans are within the planned scope of work for the Chief Financial Officer and Heads of Service.	The IJB had an overall surplus in the accounts of £0.833m at the year-end. However, the most recent financial monitoring report projects an outturn underspend of £1.659 if the projected costs of Covid-19 are fully met by the Scottish Government, which has not yet been confirmed. There is uncertainty around the level of additional funding that the Scottish Government will provide to cover the costs of Covid-19. The medium-long term financial plans in place should be revised to take this into account.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice			
5	**2020/21 budget setting** The timing of budget setting for the UK and Scottish public sector has led to increased uncertainty for IJBs in setting 2020/21 budgets. West Dunbartonshire Council is due to set its 2020/21 budget on 4 March 2020 but there is a risk that that the budget does not reflect the final settlement, and further in-year savings need to be made that impact on the IJB budget. WDIJB is due to set its budget on 25 March 2020 and, as in past years, indicative figures will be used for the Health Board's contributions. If partner contributions are lower than expected, this will impact on the 2020/21 WDIJB budget and the planned delivery of services.	• Continuous discussions between the IJB, Council and Health Board to provide the most up to date position regarding budget setting. • Officers will prepare a revised budget and provide members with further saving options if partner contributions are lower than expected.	The 2020/21 IJB budget was agreed at the 25 March 2020 HSCP Board meeting. The revenue contribution of £70.650 million from West Dunbartonshire Council had been agreed at the Council Board meeting on the 4 March 2020 and the NHS Greater Glasgow and Clyde revenue contribution of £96.039 million was approved by the Health Board on the 21 April 2020.
6	**Demonstrating the delivery of Best Value** WDIJB are required to have arrangements in place to demonstrate that it is delivering Best Value in the provision of services. There is a risk that the IJB is unable to demonstrate that it is delivering Best Value and evidence how the IJB is changing the way care services are delivered and realigning budgets to support this.	• The Head of Strategy, Planning and Health Improvement will embed the principles of Best Value into the regular quarterly performance reports to the HSCP Board to complement to Financial Performance Reports. • The Heads of Service will have in place for 2020/21 Service Improvement Delivery Plans incorporating actions to demonstrate Best Value.	The Annual Performance report for 2019/20 should include information on how the IJB achieved Best Value in the year. This report will be reviewed as part of the 2020/21 audit.
7	**Financial regulations** The financial regulations were due to be reviewed on 1 April 2019 but have not yet been reviewed and updated. There is a risk that the existing financial regulations do not reflect current practices, including recent changes made to procurement processes.	The Financial Regulations will be updated for the April 2020 Audit and Performance Committee Review.	The updated financial regulations went to the 5 August 2020 HSCP Board. These were updated to reflect the current review of the Integration Scheme, the recent review of the Terms of Reference of the Audit and Performance Committee, the updated guidance on Directions and current reporting processes within the Council and the Health Board.

Appendix 3

Summary of national performance reports 2019/20

2019/20 Reports

	Apr	
Social security: Implementing the devolved powers	May	
Scotland's colleges 2019	Jun	Enabling digital government
	Jul	
NHS workforce planning - part 2	Aug	
Finances of Scottish universities	Sept	
NHS in Scotland 2019	Oct	
	Nov	
Local government in Scotland: Financial overview 2018/19	Dec	
Scotland's City Region and Growth Deals	Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb	
	Mar	Early learning and childcare: follow-up

West Dunbartonshire Integration Joint Board

2019/20 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or **info@audit-scotland.gov.uk**

For the latest news, reports and updates, follow us on:

AUDIT SCOTLAND

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

AS.3.0