

West Lothian Integration Joint Board

2024/25 Annual Audit Report



Prepared for West Lothian Integration Joint Board and the Controller of Audit
September 2025

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Key messages

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 There were no material findings or key audit matters to report.

Wider scope and Best Value audit

- 3 West Lothian IJB reported a deficit of £4.7 million in its service provision for 2024/25. This position was achieved due to additional one-off funding of £2.7 million from West Lothian Council. The £4.7 million deficit was then covered using earmarked reserves.
- 4 West Lothian IJB's use of reserves to cover recent provisions of service deficits has reduced earmarked reserves to £2.1 million, with an additional £2 million in uncommitted reserves. This is the lowest total reserve level held by West Lothian IJB in the past five years, limiting its capacity to respond to future financial pressures.
- 5 The scale of the financial challenges West Lothian IJB is facing is unprecedented and although considerable efforts have gone in to balancing the budget for 2025/26, it is very unlikely that a break-even position will be reported in the short to medium term without interventions from partner bodies or use of reserves.
- 6 Governance arrangements remain appropriate and support effective scrutiny, challenge and informed decision making.
- 7 West Lothian IJB has effective arrangements for managing and reporting performance.
- 8 Appropriate arrangements remain in place to secure Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of West Lothian Integration Joint Board's annual accounts and the wider scope areas specified in the [Code of Audit Practice](#).
2. The Annual Audit Report is addressed to West Lothian Integration Joint Board, hereafter referred to as 'West Lothian IJB', and the Controller of Audit and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Claire Gardiner, of Audit Scotland, has been appointed as external auditor of West Lothian IJB for the period from 2023/24 until 2026/27. As reported in the Annual Audit Plan, Claire Gardiner and the audit team are independent of West Lothian IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from West Lothian IJB, including no provision of non-audit services.

Acknowledgements

4. We would like to thank West Lothian IJB and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on West Lothian IJB's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on West Lothian IJB's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of West Lothian IJB and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on West Lothian IJB's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve West Lothian IJB from its responsibilities outlined below.

West Lothian IJB's responsibilities

9. West Lothian IJB has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for West Lothian IJB that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National performance audit reporting

10. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to West Lothian IJB and the Audit, Risk & Governance Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no material findings or key audit matters to report.

Audit opinions on the annual accounts

11. West Lothian IJB's annual accounts were approved by the Board on the 24 September 2025 and certified by the appointed auditor on the same date. The Independent Auditor's Report is included in West Lothian IJB's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

12. The unaudited annual accounts and all working papers were received on 30 June 2025 in accordance with the agreed audit timetable.

Audit Fee

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £34,000. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

14. Materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

15. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

16. Materiality levels for the audit of West Lothian IJB were determined at the risk assessment phase of the audit and were reported in the Annual

Audit Plan, which also reported the judgements made in determining materiality levels. These were updated on receipt of the unaudited annual accounts as shown in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for West Lothian IJB

Materiality	West Lothian IJB
Materiality – set at 2% of gross expenditure.	£7.07 million
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£5.30 million
Reporting threshold – set at 5% of materiality.	£0.35 million

Source: Audit Scotland

Significant findings and key audit matters

17. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for West Lothian IJB is the Audit, Risk & Governance Committee.

18. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

19. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

20. During our audit work we identified one issue relating to the classification of disclosures of the resource transfer. This has been outlined at paragraph 25 as a potential audit adjustment.

Qualitative aspects of accounting practices

21. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of West Lothian IJB's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

22. The appropriateness of accounting policies adopted by West Lothian IJB was assessed as part of the audit. These were considered to be appropriate to the circumstances of West Lothian IJB, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

23. Accounting estimates are used in West Lothian IJB's financial statements. Audit work considered the process management of West Lothian IJB has in place around making accounting estimates, including the assumptions and data used in making the estimates. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were reasonable.
- There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

24. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was reasonable, with additional levels of detail provided for disclosures around areas of greater sensitivity.

Audit adjustments

25. We identified a potential adjustment to the classification of the resource transfer costs in Note 3 (Partner Expenditure Analysis) of the accounts. Specifically, £2.2 million of costs currently reported under learning disabilities and therapy services may be more appropriately classified under resource transfer. This reclassification would not affect the total expenditure reported in Note 3 but would alter the presentation of individual service lines. West Lothian IJB has agreed to review and confirm the appropriate classification for 2025/26. We are satisfied with this course of action on the grounds of materiality.

26. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management of West Lothian IJB have not undertaken any work in 2024/25 to investigate the potential misstatement. However, the final

decision on further action required to address a misstatement rests with the Audit, Risk & Governance Committee as those charged with governance.

Recommendation 1

West Lothian IJB should review the classification of resource transfer related costs to ensure these are appropriately classified in the Note 3 'Partner Expenditure Analysis'.

27. In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

Significant risks of material misstatement identified in the Annual Audit Plan

28. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 2](#).

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement

Fraud caused by management override of controls

Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.

Outcome of audit work

- We obtained assurances from the external auditors of NHS Lothian and West Lothian Council. These did not identify any areas of concern.
- We did not identify any significant weaknesses in the systems of internal control that impact on West Lothian IJB.
- We reviewed adjustments at year end and financial monitoring reports and did not identify any significant issues.

Results

We are satisfied that there is no material misstatement due to management override of controls.

Wider scope and Best Value audit

Audit approach to wider scope

Wider scope

29. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management and Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

30. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements West Lothian IJB has in place for each of these is reported in this chapter.

Best Value

31. The duty on auditors to consider the arrangements in place to secure Best Value applies to West Lothian IJB as it falls within section 106 of the Local Government (Scotland) Act 1973.

32. Consideration of the arrangements West Lothian IJB has in place to secure Best Value has been carried out alongside the wider scope audit.

Financial Management and Sustainability

Conclusion

West Lothian IJB reported a deficit of £4.7 million in its service provision for 2024/25. This position was achieved due to additional one-off funding of £2.7 million from West Lothian Council. The £4.7 million deficit was then covered using earmarked reserves.

West Lothian IJB's use of reserves to cover recent provisions of service deficits has reduced earmarked reserves to £2.1 million, with an additional £2 million in uncommitted reserves. This is the lowest total reserve level held by West Lothian IJB in the past five years, limiting its capacity to respond to future financial pressures.

The scale of the financial challenges West Lothian IJB is facing is unprecedented and although considerable efforts have gone in to balancing the budget for 2025/26, it is very unlikely that a break-even position will be reported in the short to medium term without interventions from partner bodies or use of reserves.

West Lothian IJB delivered against their savings targets, however, one-off funding and reserves were used to balance the budget

33. West Lothian IJB approved its 2024/25 budget in March 2024. The original budget was set at £346.1 million, although additional one-off support from West Lothian Council of £2.7 million was provided during year, resulting in a total budget of £348.8 million. This budget included proposed savings of £7.5 million.

34. West Lothian IJB achieved a deficit on the provision of services of £4.7 million for 2024/25, despite achieving 100% of all planned savings of £7.5m million. Overspends occurred within health (£2.1 million) and adult social care (£5.5 million). Additional one-off funding of £2.7 million was provided by West Lothian Council, after the agreed 2024/25 budget, to support part of the adult social care overspend. The remaining overspend of £2.7 million for adult social care and the £2.1 million health overspend were covered by drawing down funds from the reserves of £4.8 million. This reduced the level of available reserves for carry forward to £4.1 million (2023/24: £8.8 million).

35. [Exhibit 3](#) shows that over the past three years West Lothian IJB has drawn down earmarked reserves to support a deficit position, in conjunction with receiving one-off support from both West Lothian Council and NHS Lothian. As part of agreeing the 2025/26, the board agreed to maintain IJB reserves policy that £2 million is retained as a minimum uncommitted balance.

36. The trend indicates that West Lothian IJB may need to utilise the £2 million uncommitted reserve to achieve a break-even position against budgets in future years, especially where the partner bodies may be unable to provide one-off funding.

Exhibit 3

West Lothian IJB earmarked and uncommitted reserve movements over 5-year period



Source: West Lothian Integrated Joint Board financial

Source: West Lothian Integrated Joint Board financial statements

NB: the earmarked reserves were high in 2021/22 due to significant amounts of covid related funding being distributed for use by Scottish public bodies. This funding was utilised in subsequent years and where unused, was returned to the Scottish Government.

A revised 3-year financial outlook was provided to the Board in conjunction with the 2025/26 budget, which highlights the significant ongoing medium-term financial pressures facing West Lothian IJB

37. Like all public services, West Lothian IJB is continuing to face budgetary challenges amid rising demand, increasing costs, and workforce shortages. Given these pressures, ensuring long-term financial stability requires identifying and delivering substantial savings.

38. The budget for 2025/26 was agreed at the Board meeting in March 2025. West Lothian IJB agreed a balanced budget position for 2025/26

which includes a total savings target of £8.9 million. These are unprecedented levels of savings for West Lothian IJB. While the IJB has a strong track record of delivering savings in recent years, the scale and recurring nature of the current targets present a significant ongoing challenge.

39. In March 2025, the Board approved a revised three-year financial outlook for 2025/26 to 2027/28, highlighting an estimated budget gap of £30.4 million—a significant deterioration in West Lothian IJB’s medium-term financial position. As noted in the 2024/25 management commentary, *“service provision will not be maintained at current levels and/or some services will have to cease.”* While the 2025/26 budget projects a break-even position based on £8.9 million in savings, West Lothian IJB faces challenging decisions over the following two years regarding service delivery.

40. The scale of the financial challenges West Lothian IJB is facing is unprecedented and although considerable efforts have gone in to balancing the budget for 2025/26, it is very unlikely that a break-even position will be reported in the short to medium term without interventions from partner bodies or use of reserves. We have therefore concluded that there is a high risk that West Lothian IJB’s financial position is not sustainable.

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

41. Senior management and West Lothian IJB members regularly receive and monitor financial information. Finance updates were submitted to West Lothian IJB Board throughout the year. These clearly stated the outturn to date, latest budget information and the projected year-end outturn position. These reports also made clear the impact of ongoing financial pressures.

42. Through attending committee meetings, we observed that senior management and members receive regular and accurate financial information on West Lothian IJB’s financial position and have concluded that West Lothian IJB has appropriate financial management and reporting arrangements in 2024/25.

West Lothian IJB has appropriate financial control arrangements in place

43. West Lothian IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure are incurred by partner bodies and processed in their accounting systems. West Lothian IJB does not have its own financial systems and instead relies on the financial systems of its partner bodies, NHS Lothian and West Lothian Council.

44. As part of our audit approach, we obtained assurances from the external auditors of NHS Lothian and West Lothian Council. The assurances confirmed that there were no significant weaknesses in the systems of internal control for either body which would impact West Lothian IJB.

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

45. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

46. West Lothian 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. West Lothian IJB has a Code of Conduct for members and the Members' Registers of Interest are publicly available on the IJB's website.

47. As part of our audit approach, we obtained assurances from the external auditors of NHS Lothian and West Lothian Council. The assurances confirmed that there were no significant weaknesses in the arrangements for the prevention and detection of fraud at either body.

Vision, Leadership and Governance

Conclusion

Governance arrangements remain appropriate and support effective scrutiny, challenge and informed decision making.

Governance arrangements remain appropriate and support effective scrutiny, challenge and decision making

48. The Board met seven times during 2024/25, and the Audit, Risk and Governance Committee met four times in the same period. The meetings were held both in person and virtually. Our observations at committee

meetings have found that these are conducted in a professional manner and there is a reasonable level of scrutiny and challenge by members.

49. An update on governance issues of concern was presented by the Standards Officer to West Lothian IJB Audit, Risk and Governance Committee in June 2025. The report includes information on actions being taken to address these issues. The Annual Governance Statement includes information on the issues to be addressed going forward.

50. We noted in our prior year report that the Governance Statement could be further strengthened by incorporating a review around the clarity and conciseness of the statement, as part of West Lothian IJB's review of the statement for 2024/25. From our audit work in 2024/25, we provided a significant number of comments on the statement's clarity and conciseness.

Recommendation 2

West Lothian IJB should review the Annual Governance Statement to ensure it meets all relevant requirements while remaining clear and concise.

51. We consider that governance arrangements remain appropriate and support effective scrutiny, challenge and decision making.

Use of Resources to Improve Outcomes

Conclusion

West Lothian IJB has appropriate arrangements for managing and reporting performance.

Appropriate arrangements remain in place to secure Best Value.

West Lothian IJB has presented an update to the Board on the monitoring approach and progress of the Delivery Plans which take forward the intentions of the IJB Strategic Plan.

52. In March 2023 West Lothian IJB approved a new Strategic Plan covering the period 2023-2028. The focus of the plan is on achieving a sustainable health and social care system. The new plan recognises that to achieve this, the way in which adult health and social care is provided must be transformed, shifting resource away from traditional models of care to new models. The plan outlines how West Lothian IJB plans to deliver the nine national health and wellbeing outcomes against the background of demographic, and financial challenges identified.

53. Delivery boards have also been created to ensure that the delivery plans are implemented and monitored. The delivery boards will also be responsible for the annual review of delivery plans throughout the lifespan of the Strategic Plan (2023-2028), considering progress against each of the programmes and projects as part of the Annual Performance Report. The plans will also be reviewed from a strategic context in line with the requirements of the Medium-Term financial Planning Framework which underpin the delivery plans.

54. In June 2025, the Board were presented with a 6-monthly update on the performance management framework which noted progress and position against each area across the three delivery plans (improving inequalities in partnership, home first approach, enabling high quality care, support and treatment). Of the 57 areas being reported across the 3 delivery plans, 40 are green (70%), 11 are amber (19%), 1 (2%) is red and 5 have not yet commenced or have been completed (grey) (9%). We will continue to monitor the progress being made by West Lothian IJB in relation to the Strategic Plan through the delivery board monitoring and actions.

Conclusions on Best Value

55. The Local Government (Scotland) Act 2003 places a duty on Local Government bodies to secure Best Value. As a Section 106 body under the 2003 Act, Integration Joint Boards have the same statutory duty to secure best value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

56. West Lothian IJB has a Best Value Framework which was last approved by the Board in March 2021. However, the Audit, Risk & Governance Committee reviewed the Framework in March 2024, confirming no changes were required. It is good practice to review the Best Value Framework even where no changes are required.

57. In June 2025, the Chief Finance Officer presented West Lothian IJB Annual Compliance Statement to the Audit, Risk and Governance Committee. The assessment considered West Lothian IJB's compliance with regards to the seven elements of best value. The statement was reviewed and agreed at the meeting. No additional action was required by West Lothian IJB at this time over and above the actions already taking place as detailed in the statement. This process represents good practice.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Partner Expenditure Analysis classification We identified a potential adjustment to the classification of the resource transfer costs in Note 3 (Partner Expenditure Analysis) of the accounts. West Lothian IJB needs to determine whether £2.2 million of expenditure should be reported under the resource transfer line or separately under learning disabilities and therapy services. Any reclassification would not affect the total expenditure disclosed in Note 3.	West Lothian IJB should review the classification of resource transfer related costs to ensure these are appropriately classified in the Note 3 'Partner Expenditure Analysis'.	Accepted Meeting with NHS Lothian finance team has been scheduled to agree correct classification for 2025/26 and review resource transfer reporting. Responsible officer: Chief Finance Officer Agreed date: By 31 March 2026
2. Annual Governance Statement We noted in our prior year report that the Governance Statement could be further strengthened by incorporating a review around the clarity and conciseness of the statement as part of West Lothian IJB's review of the statement for 2024/25. From our audit work in 2024/25, we provided a significant number of comments on the statement's clarity and conciseness.	West Lothian IJB should review the Annual Governance Statement to ensure it meets all relevant requirements while remaining clear and concise.	Accepted/Rejected Format will be reviewed again for 2025/26 to aid clarity and conciseness whilst ensuring relevant requirements continue to be met. Responsible officer: Standards Officer Agreed date: By 31 March 2026

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

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