



# Dumfries and Galloway Integration Joint Board (IJB)

External Audit Plan for the financial year ending 31 March 2020

Dumfries and Galloway Integration Joint Board Audit and Risk Committee

Final Audit Plan - 31 March 2020

**Joanne Brown**  
Engagement Leader

**John Boyd**  
Senior Manager



# Our audit at a glance



Performance materiality is set at 75% of overall materiality. This is consistent with the prior year reflecting our audit knowledge and understanding with no material adjustments in the prior year.



Significant audit risks are: management override of controls (ISA 240 requirement) and the risk of fraud in expenditure recognition as set out in Financial Reporting Council's (FRC) Practice Note 10.



Planning materiality is set at **£7.6 million**, being approximately 2% of gross expenditure based on 2019/20 budget. This is based on our assessment of what misstatement either individually or in aggregate could be significant as to be misleading to the users of financial statements. We will apply a lower materiality threshold on review of the Remuneration report to ensure that remuneration has been disclosed within appropriate bandings (being **£5,000**). We will revisit our materiality throughout our audit including updating to reflect the unaudited financial statements.

An audit  
underpinned by  
quality and adding  
value to you



The IJB continues to look to develop and enhance its governance arrangements. The IJB is developing its risk management strategy and risk management arrangements. It is important that these enable focus on the IJB's strategic risks. During our audit we will assess the extent to which risk management arrangements have been established within the organisation and the extent to which the IJB has established arrangements to gain assurances over how these risks are managed.



There remains a significant challenge around the financial sustainability of the IJB. The 2019/20 financial plan identified that the IJB required savings of £19.504 million to break even. While significant progress has been made by Senior Officers in addressing this gap including the development of a Financial Improvement Programme as part of financial recovery measures, there remains considerable risk to the medium term financial sustainability of the IJB. Under the Integration Scheme the organisation (health board or council) incurring the overspend is responsible in meeting any overspend.



Our audit is undertaken in accordance with the Audit Scotland Code of Audit Practice and reflects the wider scope nature of public audit. Through our audit planning we have identified wider scope risks reflecting the IJB's **financial sustainability** and **governance arrangements** and the **extent to which the IJB can demonstrate and evidence the achievement of best value**. Throughout our planning and audit work we re-review wider scope risks and will update these where necessary during the year.

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# Overarching principles of our audit

Our audit is risk based and undertaken in accordance with the International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016 ('the Code'). Our overall objective is an effective, quality-focused external audit which adds value through wider insights and challenge. Our audit foundations are:

- ✓ a focus on audit risks and applying professional scepticism throughout our audit
- ✓ delivering a quality audit through our experienced public sector audit team and understanding of the organisation
- ✓ clear and upfront communications, with regular communication during the year
- ✓ reporting with focused actions based on priority

## External Audit plan

The External Audit Plan summarises our responsibilities in accordance with ISAs and the Code:

- Respective responsibilities;
- Our audit process and timeline
- Materiality
- Our risk based audit approach to the audit of the financial statement
- Our wider scope responsibilities including those in relation to the four wider audit dimensions prescribed in the code: Financial management; financial sustainability; governance and transparency; and, value for money.

## Continuous improvement and adding value

Our aim is to add value to the IJB through our external audit work. This will be delivered through delivering a high-quality audit. Specifically for Dumfries and Galloway Integration Joint Board ('the IJB') we will also undertake the following arrangements:

**Continuous learning and development:** We have discussed with Senior Officers opportunities to develop our audit approach to ensure we deliver an efficient and effective audit approach. During 2019/20, as auditors of the IJB, NHS Dumfries and Galloway and Dumfries and Galloway Council, as part of our wider scope work we will look at areas of shared risk across the three bodies, adding value through sharing our knowledge and understanding and not duplicating our wider scope work.

**Robust and effective audit methodology:** Our ISA compliant audit methodology is tailored to focus audit resource on significant risk areas and key estimates and judgements.

## Audit appointment

The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, and reporting on their financial health and performance.

The Accounts Commission is an independent public body appointed by Scottish minister 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 an independent statutory body that provides the Auditor General with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.

The Accounts Commission has appointed Grant Thornton UK LLP as external auditor of the IJB for the five year period 2016/17 to 2020/21.

## Our team

**Joanne Brown**  
Partner

**John Boyd**  
Senior Manager

T 0141 223 0848  
E joanne.e.brown@uk.gt.com

T 0141 223 0899  
E john.p.boyd@uk.gt.com

The audit will be supported by a team of qualified and part qualified accountants from our public sector audit team. Where required we will use other audit experts, including Public Sector technical accounting team to support our audit.

# Respective responsibilities

As set out in the Code of Audit Practice there are a number of key responsibilities you as an organisation are responsible for, and others, as appointed auditors we are responsible for. These are summarised below:

Area	Dumfries and Galloway Integration Joint Board's (the IJB) Responsibilities
Corporate governance	<ul style="list-style-type: none"> <li>Establishing arrangements for proper conduct of its affairs</li> <li>Legality of activities and transactions</li> <li>Monitoring adequacy and effectiveness of arrangements (inc role of those charged with governance)</li> </ul>
Financial statements	<ul style="list-style-type: none"> <li>Preparing financial statements which give a true and fair view of their financial position</li> <li>Maintaining accounting records and working papers</li> <li>Putting in place systems of Internal Control and maintaining proper accounting records</li> <li>Preparing and publishing an annual governance statement, management commentary and remuneration report</li> <li>Effective systems of internal control as well as financial, operational and compliance controls – supporting achievement of objectives and secure Best Value</li> </ul>
Financial position	<ul style="list-style-type: none"> <li>Proper arrangements to ensure financial position is soundly based and responsibility to ensure arrangements secure Best Value</li> </ul>
Fraud and error	<ul style="list-style-type: none"> <li>Establishing appropriate arrangements for prevention and detection of fraud, error, irregularities, bribery and corruption and affairs are properly managed</li> </ul>

## Our responsibilities



- Undertake statutory duties and comply with professional engagement and ethical standards
- Provide an ISA compliant opinion on financial statements
- Review and report on, as appropriate, other information eg annual governance statements, management commentary, remuneration reports
- Notify the Controller of Audit when circumstances indicate a statutory report may be required
- Demonstrate compliance with wider public audit scope in accordance with Audit Scotland's Code of Audit Practice and applicable guidance
- Contributing to Audit Scotland Performance Reports
- Providing regular updates to Audit Scotland to share awareness of current issues across our audit clients
- Notify Audit Scotland of any cases of money laundering or fraud
- Contribute to Audit Scotland technical guidance
- Contribute to Audit Scotland Impact Reports

## How do we do this in practice

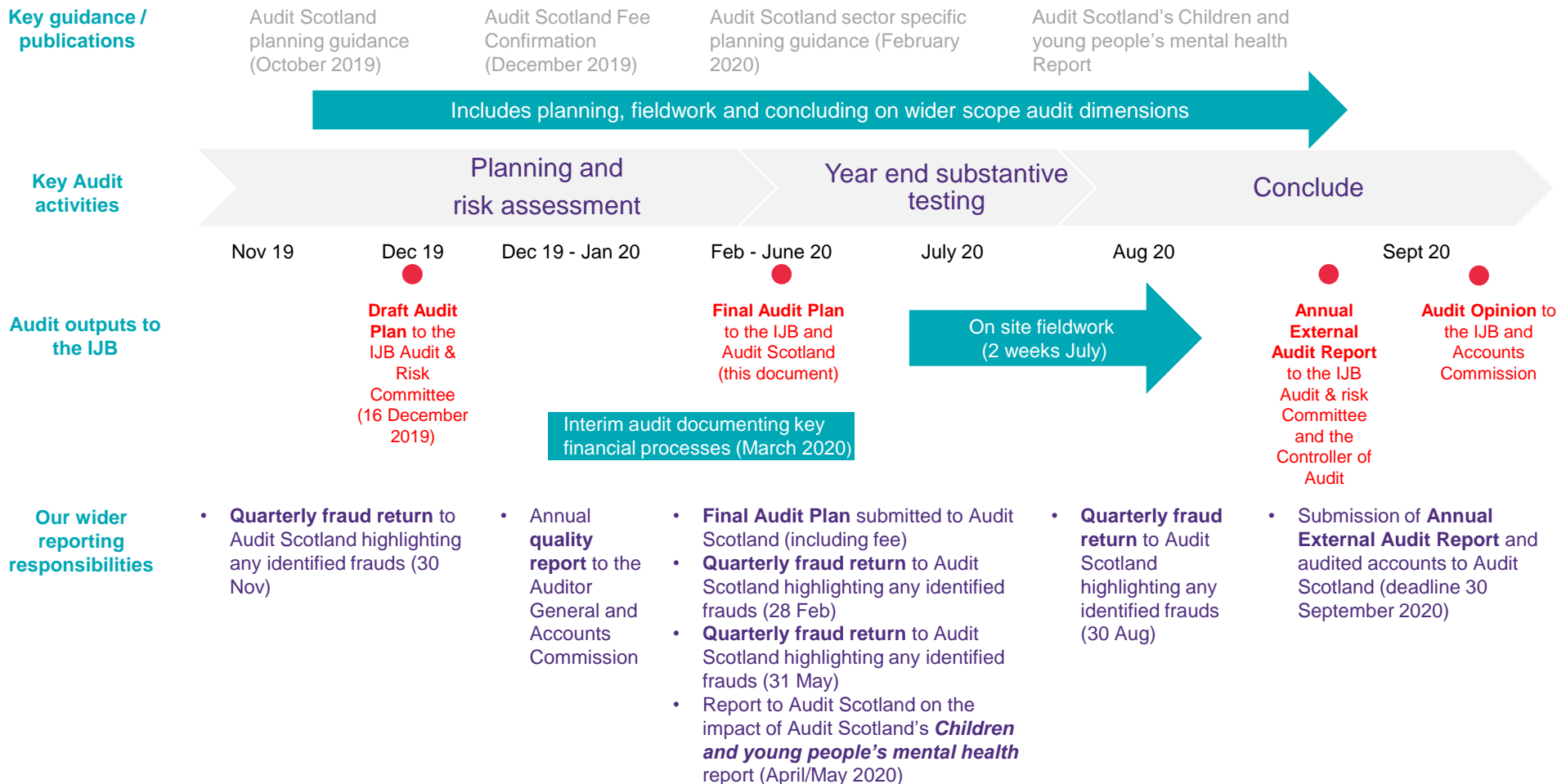


- By reviewing and providing judgements and conclusions on the IJB's arrangements including those across the wider scope of audit dimensions.
- Suitability and effectiveness of corporate governance arrangements in year
- Financial position and arrangements for ensuring financial sustainability in the medium to longer term
- Review of other information in line with our knowledge and understanding of the IJB
- Ongoing dialogue and engagement with Audit Scotland during the year
- Providing quarterly fraud updates to Audit Scotland and information on any money laundering
- Providing relevant data to Audit Scotland relating to the IJB to contribute to shared risk assessment and national performance reports, including Local government in Scotland: Financial Overview 2019/20
- Consider and report on the impact of Audit Scotland: *Children and young people's mental health* report (April / May 2020)
- Support Audit Scotland through engaging in technical guidance publications

# Audit process and timeline

Our planned audit timeline is detailed below. In accordance with the Code of Audit Practice and Audit Scotland Planning Guidance, we are required to undertake and report on a range of areas. The diagram below summarises our planned audit timetable for 2019/20, and output to the IJB, the Controller of Audit, the Accounts Commission and Audit Scotland.

Our audit timetable assumes receipt of a complete set of draft financial statements and supporting documentation as outlined within our audit deliverables list in advance of our year end audit work. The timetable, and our proposed audit fee, assumes minimal amendments being required to the financial statements through the course of our audit.



Throughout the audit process there will be continuous communication and engagement. We will also continue to engage with Audit Scotland to ensure they are aware of any current or emerging issues at the IJB.

# Materiality



We undertake your audit in accordance with International Standards on Auditing (UK) (ISAs) and the Audit Scotland Code of Audit Practice (May 2016). On an annual basis we are required to give an opinion as to whether the Financial Statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code)
- have been properly prepared in accordance with relevant legislation and standards
- audited parts of the remuneration report have been prepared in accordance with the guidance
- the information given in the Management Commentary for the financial year is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003
- The information given in the Annual Governance Statement for the financial year is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

## Basis for materiality

We determine financial statement materiality based on a proportion of the total operating expenditure. This approach is consistent with our prior year materiality determination and is based on our assessment of what misstatement either individually or in aggregate could be significant as to be misleading to the users of financial statements. We have determined planning materiality to be **£7.6 million**, which equates to approximately **2%** of your budgeted total operating expenditure for the year.

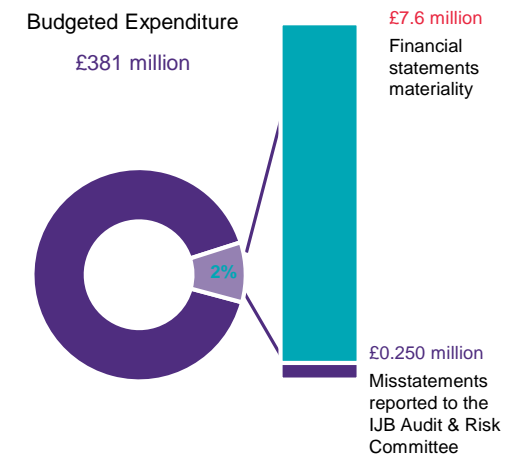
## Performance materiality

Performance materiality represents the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. Based on our audit experience we have retained this for 2019/20 at **75%**, being **£5.7 million**. Performance materiality determines those accounts which testing will be undertaken on and the level of sample testing performed where applicable. Performance materiality is set at 75% of overall materiality. This is consistent with the prior year reflecting our audit knowledge and understanding with no material adjustments in the prior year.

Our materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We adopt a lower materiality threshold for specific classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality as a whole could reasonably be expected to influence the economic decisions of users of the accounts. We will apply a lower materiality threshold on review of the Remuneration report to ensure that remuneration has been disclosed within appropriate bandings (being **£5,000**). We will update our materiality based on the unaudited 2019/20 financial statements. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality. We apply a materiality of

## Reporting to those charged with governance

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the IJB any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are required by auditing standards to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have determined this threshold to be **£250,000** being the maximum threshold prescribed by Audit Scotland. For remuneration report errors we will report errors



# A risk based audit methodology

A core part of audit planning is understanding the IJB and the wider public sector. This is our fourth year as the external auditors of the IJB appointed under the Audit Scotland framework. Through our audit planning procedures we consider a range of factors to assess the risk of material misstatement to the financial statements. Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Our risk assessment includes the following:

Consideration of significant accounting estimates including accrued income or expenditure at the balance sheet date.

Assessment of inherent risk factors including changes in the organisation's activities and environment.

Understanding of entity level controls and the control environment, including IT controls and associated assurances of controls in place at both NHS Dumfries and Galloway and Dumfries and Galloway Council.

Financial and operational performance during the year, including pressures in delivering outcomes while operating within available financial resources.

## Identified Significant risks

- Risk of fraud in expenditure recognition
- Management override of controls

We continue to assess the risk of material misstatement and our response to these risks throughout our audit. Within our Annual Audit Report we will report to you the conclusions from our audit procedures over these risks, including any further risks identified or changes to our planned audit response.



# Significant financial statement audit risks

Risk area	Areas of focus	Description of risk
<b>Risk of fraud in Expenditure recognition</b>	<b>Other Expenditure</b> (at the year end) (Completeness) <b>Payables</b> (Completeness, Valuation)	<p>Operating expenditure is misstated or not treated in the correct period (risk of fraud in expenditure). As set out in the Financial Reporting Council's Practice note 10 (revised) which applies to public sector entities, auditors of public bodies should consider the risk of misstatement in expenditure recognition. The IJBs material expenditure stream relates to Health and Social Care costs reflecting the services commissioned from Dumfries and Galloway Council (2018/19: £62.5 million) and NHS Dumfries and Galloway (2018/19: £305.5 million). The IJB expenditure reflects the services commissioned from partner bodies and reflects the costs incurred by these parties in delivering those services. The Integration Scheme provides that any underspend is retained by the relevant partner body delivering the service i.e. health board / Council, unless agreed with the IJB. Likewise, any overspend incurred in delivering the service is borne by the health board/ Council unless agreed with the IJB and other partner. Therefore, there is limited incentive for either of these parties to under or overstate costs incurred. We therefore consider the risk to be prevalent on the timing of expenditure being recognised around the year end as this is the areas most susceptible to potential manipulation by the IJB. There is a risk that expenditure may be misstated by the IJB (or partnering authorities) to support the IJBs outturn position in the current year or to support financial performance in future years by inappropriately accruing expenditure relating to 2020/21.</p>

## Audit Response

- Understanding of controls in place over material expenditure streams including walkthroughs of the controls and procedures over commissioning of services with particular focus around the year end.
- Perform substantive testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement.
- Collaborating year end expenditure testing to NHS Dumfries and Galloway and Dumfries and Galloway Council income records (in absence of bank transactions).
- Reviewing accruals and deferred income around the year end to consider if there is any indication of understatement of balances held through consideration of the accounting estimates

As set out in ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In 2018/19, the IJB received £370 million of partners funding contributions from NHS Dumfries and Galloway and Dumfries and Galloway Council. While material, under the Integration Scheme funding arrangements, funding is agreed at the start of the financial year with any deviations agreed between the IJB and funding partner. Total revenue and receivables at the year end are agreed to third party confirmation (signed accounts). Consequently, we consider there to be a lower opportunity to materially misstate this revenue stream. We therefore rebut the presumed risk of improper recognition of revenue.

# Significant financial statement audit risks

Risk area	Areas of focus	Description of risk
<b>Management override of controls</b>	<b>Journals Accounting Estimates</b>	As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management (senior officers) to use their judgement to influence the financial statements as well as the potential to override the IJB's controls for specific transactions. We consider those key judgements that are most susceptible to significant audit risk of senior officers override are those over expenditure recognition. These are areas where senior officers have the potential to influence the financial statement through estimate and judgement.

## Audit Response

### Accounting estimates:

In assessing the risk of management override, consider those key accounting estimates and judgements that could impact on the organisations financial results and where there is an inherently increased risk of fraudulent misstatement or where senior officer bias could result in a material misstatement. For the IJB this primarily relates to accrued income or expenditure. Where material, we will review these areas of estimation to ensure reasonable and agreed to supporting documentation to address the risk of fraudulent misstatement.

### Journals testing:

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

- Assess the design of controls in place over journal entries, including how these are prepared, authorised and processed onto the financial ledger;
- Will risk assess the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We will test these journals to ensure they are appropriate and that suitably recorded in the financial ledger;
- We will perform targeted testing of transactions around the financial year end reviewing those journals that are large or otherwise appear unusual to understand the rationale for the transaction and accounting treatment.

# Other audit areas

## Going concern considerations

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s (senior officers’) use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

We will review senior officers’ assessment of the going concern assumption and evaluate the disclosures in the financial statements, alongside our assessment based on substantive testing and audit procedures.



## Internal control environment



Throughout our audit planning and fieldwork we will continue to develop our understanding of the overall control environment (design) as related to the financial statements. In particular we will:

- Consider procedures and controls around related parties, journal entries and other key entity level controls.
- Perform walkthrough procedures on key controls around identified risk areas including recognition of commissioning expenditure and funding income recognised from NHS Dumfries and Galloway and Dumfries and Galloway Council. We will consider the arrangements in place for gaining assurances over the accuracy of information provided by the council and health board

## Working with internal audit

The Auditing Standards Board’s version of ISA (UK) 610 “Using the work of internal auditors” prohibits the use of internal audit to provide “direct assistance” to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

During 2019/20, we engage with Internal Audit to confirm any awareness of fraud or suspected fraud. Where Internal Audit have identified specific material deficiencies in the control environment that would create a risk of material misstatement to the financial statements, we will consider adjusting our testing so that the audit risk is covered by our work.



## Coronavirus

The full extent and impact of the outbreak of novel coronavirus (COVID-19) remains uncertain. As a firm we are actively monitoring the outbreak and taking proactive steps to protect the health and wellbeing of our clients, employees and communities. We are following the latest guidance from Public Health England and Scotland and have taken precautionary measures including restricting non-essential travel and steps to limit potential exposure.



We have reached out to our audit clients, including the IJB to understand arrangements in place to enable us to deliver the audit in the event that travel restrictions remain in place over the planned period of the audit. Currently we are assuming that the audit will need to be delivered remotely. We have established arrangements including remote working of our staff and testing approaches, taking into account regulatory guidance, in order to deliver our audit work. We will continue to liaise with health authorities, Audit Scotland and our clients about the situation.

For the IJB, the impact of the Coronavirus on the primary financial statements remains uncertain and there may be implications on the costs of delivering health and social care services in response to the outbreak. We will continue to monitor the impact of the coronavirus and of government measures to manage the outbreak. Where required we will continue to reassess our audit plan accordingly.

# Wider scope audit

Our responsibilities under Audit Scotland's Code of Audit Practice extend beyond the audit of the financial statements.

The Code sets out four dimensions that frame wider scope audit work into identifiable areas. Alongside Best Value, the audit dimensions set a common framework for our audit work and we review and conclude on the four dimensions and that there are organisational arrangements in place to secure Best Value.

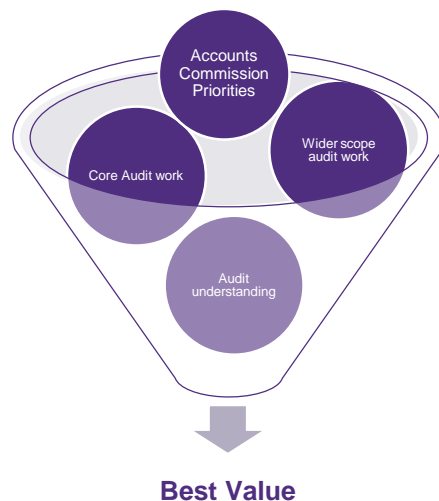


## Strategic audit priorities

As part of our best value work, we will consider the five strategic audit priorities agreed by the Accounts Commission. The key areas of focus are:

- Having clear priorities with a focus on outcomes, supported by effective long term planning.
- Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.
- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
- Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
- Reporting the IJB's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
- We incorporate these audit priorities into our wider scope audit work.

## Wider scope approach



Our wider scope audit work is a **risk based** approach. It is built upon our understanding of the organisation and consideration of:

- Scottish Public Finance Manual (SPFM) nine characteristics of Value for Money
- The Accounts Commission's key priorities
- Our core audit work and audit knowledge
- Audit Scotland planning guidance

We consider each of these areas through our audit planning process. We summarise our planning consideration over the wider scope areas below, including where we have identified a significant wider scope risk, our planned audit response. We have also identified areas that we will continue to consider throughout our audit to allow us to conclude on the wider scope areas in our Annual Audit Report.

# Wider scope audit dimensions

## Financial sustainability

The IJB faces significant challenges with the 2019/20 Financial Plan identifying a budget gap of £19.5 million to deliver a breakeven position. While savings initiatives to the value of £12.7 million were put in place early in the financial year, the remaining balance of £6.8 million remain outstanding with savings plans yet to be identified, primarily within NHS Dumfries and Galloway commissioned services.

The IJB continues to focus on areas where services can be transformed, both to deliver financial savings (operational efficiencies) as well as enhancing performance. The Transformation Programme for the IJB has established a range of programme boards to take forward service transformation across the Health and Social Care Partnership. A process has been agreed whereby a list of savings plans has been developed, scored and assessed as to deliverability and priorities. This remains one of the key programme of the IJB's sustainability and efficiency work with the plan developing options over a three year time frame. Under the Integration Scheme the organisation (Health Board or Council) incurring the overspend is ultimately responsible to meet any overspend. However, the IJB has an important role to ensure actions taken to address the overspend to not adversely impact on the delivery of the IJBs strategic outcomes.

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

Audit  
response

### **Response to wider scope significant risk**

**We will review the work done by the IJB through the Transformation Programme and other savings initiatives to deliver the 2019/20 Financial Plan, considering the extent to which these were delivered through recurring savings, rather than non-recurring initiatives. For the IJB we will assess the extent to which the IJB has oversight of the savings programmes and impact on strategy.**

### **Other wider scope procedures**

In relation to broader financial sustainability we will continue to develop our understanding of the IJBs planning arrangements including financial plans and how these are aligned to financial and workforce plans developed by NHS Dumfries and Galloway and Dumfries and Galloway Council and how these developed, both supporting and recognising the financial and operational challenges facing the IJB.

# Wider scope audit dimensions

## Financial management

During 2018/19 the IJB reported a breakeven position for 2018/19. This was achieved through in year additional non-recurring funding being released from NHS Dumfries and Galloway to the IJB to off-set the underlying overspends of £1.8 million. The IJB ringfences funding to be used on future specific projects such as primary care transformation and mental health. As at 31 March 2019 these totalled £8.4 million. The IJB monitor financial performance throughout the year to ensure funding is utilised as expected.

The IJB's financial transactions are processed by NHS Dumfries and Galloway and Dumfries and Galloway Council. As external auditors of these two bodies over the last three years, we have not identified any underlying concerns or weaknesses in the financial systems or design of internal controls related to transactions and balances recorded in the IJBs financial statements. Furthermore, based on our cumulative audit knowledge of the IJB we have not identified any material weaknesses over financial management arrangements in place.

Audit response

While we have not identified any significant wider scope risks in relation to financial management, we will continue to review the IJB's financial management arrangements including the extent to which there is effective scrutiny from the IJB Board over the delivery of services commissioned from NHS Dumfries and Galloway and Dumfries and Galloway Council.

## Value for money

The IJB continues to look to enhance performance reporting and monitoring arrangements. The IJB is developing a revised reporting format to ensure there is clear and transparent reporting of IJB services.

During 2018/19 the IJB submitted a self-assessment of the IJBs progress towards the integration of health and social care to the Scottish Government. The IJB members scored seven proposals as partly established, 12 proposals as established and three proposals as exemplary and no proposals were considered to be not yet established, against the six themes Audit Scotland themes.

**wider scope risk identified:** Best Value is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for the public. The duty of Best Value applies to all public bodies, including the IJB. While not directly delivering services, it is critical that the IJB is able to demonstrate and evidence the achievement of best value.

Audit response

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

### Other wider scope procedures

We will consider the IJB's performance management framework and how they capture and measure performance and outcomes. We will look to ensure that the IJB are reviewing their evaluation of performance and how they seek assurance that they are achieving Best Value.

# Wider scope audit dimensions

## Governance and transparency

The IJB Health and Social Care Strategic Plan sets out the vision and purpose of the IJB and has been developed with service users as well as people who work in health and social care and third and independent sector partner organisations. The plan considers the key challenges, priority areas of focus and commitments until 2021. The IJB has developed governance arrangements to monitor the oversight and scrutiny of the delivery of the strategic plan.

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

The IJB continues to develop its strategic approach to risk management and the framework in place to identify, manage and monitor risks.. It is important that these enable focus on the IJB's key strategic risks. Effective oversight and scrutiny will rely on the timely information from both the Health Board and Council.

Audit  
response

We will continue to assess the adequacy and effectiveness of governance arrangements in place at the IJB. This will include consideration of the level of oversight of the IJBs Transformation Programme and how this is monitored and scrutinised by the IJB.

**Response to significant risk:** We will assess the extend to which the IJB can demonstrate effective governance and scrutiny arrangements. We will assess the progress made by the IJB in developing and implementing its risk management strategy and supporting risk management framework around these.

# Audit deliverables

As set out in the Code of Audit Practice, as appointed auditors we have a number of wider reporting responsibilities beyond the audit of the financial statements. Below we summarise the key areas of work during our 2019/20 audit, including expected reporting under Audit Scotland's Code of Audit Practice and audit planning guidance (2018/19 Guidance on Planning the Audit)

Requirement	How we will report our findings
<p><b>Annual accounts</b> Perform an audit of the annual accounts and express and specify audit opinion on them.</p>	<ul style="list-style-type: none"> <li>External audit plan</li> <li>External auditor's opinion on the financial statements</li> <li>Annual external audit report findings from our audit work of the financial statements</li> </ul>
<p><b>Wider scope audit dimensions</b> Conclude and report on our assessment of the wider scope audit dimensions</p>	<ul style="list-style-type: none"> <li>Annual external audit report (audit findings report)</li> </ul>
<p><b>Emerging issues</b> Communication of emerging issues to Audit Scotland and highlight any issues for potential statutory reports</p>	<ul style="list-style-type: none"> <li>Communicating throughout our audit emerging issues throughout the year</li> </ul>
<p><b>Overview reports</b> Provide input and data to inform Audit Scotland's overview reports (Health and Local Government)</p>	<ul style="list-style-type: none"> <li>We will provide Audit Scotland with data returns to support sector wide reports including Local Government in Scotland: <i>Financial Overview</i> and NHS in Scotland 2020 reports.</li> </ul>
<p><b>Impact reports</b> Feedback to Audit Scotland on the impact on the entity of National Reports</p>	<ul style="list-style-type: none"> <li>Report to Audit Scotland on the impact of Audit Scotland's Children and Young People's Mental Health report (April/May 2020)</li> </ul>
<p><b>Correspondence queries</b> Carry out preliminary enquiries into any correspondence relevant to the IJB that is referred to Audit Scotland.</p>	<ul style="list-style-type: none"> <li>Providing responses to any correspondence received based on our audit knowledge and understanding and the results of any review as agreed with Audit Scotland</li> </ul>
<p><b>Money laundering and fraud</b> Provide information on cases of money laundering or fraud</p>	<ul style="list-style-type: none"> <li>Reporting cases to the National Crime Agency of any instances of money laundering at the IJB and identified frauds to Audit Scotland (note Dumfries and Galloway Council and NHS Dumfries and Galloway separately reported as part of our audit engagements with these bodies).</li> </ul>
<p><b>Technical guidance</b> Contribute to Technical Guidance Notes</p>	<ul style="list-style-type: none"> <li>Providing responses to Audit Scotland consultations on draft Technical Guidance notes for Auditors.</li> </ul>



# Appendices

## Appendices:

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# Appendix 1: Fees and independence

## External Audit Fee

Service	Fees £
External Auditor Remuneration	18,300
Pooled Costs	1,780
Contribution to Audit Scotland costs	5,360
Contribution to Performance Audit and Best Value	1,100
<b>2019/20 Fee</b>	<b>26,540</b>

## Fees for other services

Service	Fees £
At planning stage we confirm there are no non-audit fees	Nil

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- Full details of all fees charged for audit and non-audit services will be included in our Annual Report to those charged with governance at the conclusion of the audit.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standards.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Audit Scotland sets an expected fee for each audit carried out under appointment which assumes that the body has well-functioning controls, an effective internal audit service, and an average risk profile.

Audit Scotland reviews the expected fee each year and adjusts it if necessary based on auditors' experience, new requirements, or significant changes to audited bodies. The audit fee is calculated in accordance with guidance issued by Audit Scotland. In accordance with the Audit Scotland guidance we can increase the fee by up to 10% from the base fee set by Audit Scotland, depending on risk factors identified by us as your external auditors. We cannot reduce the fee from the baseline set out by Audit Scotland. For 2019/20 we have retained the fee at the expected fee. The fee is based on the following assumptions:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the IJBs' activities will not change significantly from planned.
- The IJB will make available management and accounting staff to help us locate information and to provide explanations. We reserve the right to charge an additional fee for any additional work.
- We will only receive (and audit) 3 sets of accounts (1st draft; amended draft and final).

## Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work ([joanne.e.brown@uk.gt.com](mailto:joanne.e.brown@uk.gt.com)). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

# Appendix 2: Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management (senior officers), those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at Dumfries and Galloway Integration Joint Board.

As part of our audit work we are responsible for:

- Identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relations to management override of controls.
- Leading a discussion with those charged of governance on their view of fraud. Typically we do this when presenting our audit plan and in the form of management (senior officers) and those charged with governance questionnaires.
- Designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- Responding appropriately to any fraud or suspected fraud identified during the audit.

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from senior officers regarding senior officers' assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

## Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at Dumfries and Galloway Integration Joint Board we will report to the Auditor General as required by Audit Scotland.

The primary responsibility for the prevention and detection of fraud rests with senior officers and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is Dumfries and Galloway Integration Joint Board's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- Developing, promoting and monitoring compliance with standing orders and financial instructions
- Developing and implementing strategies to prevent and detect fraud and other irregularity
- Receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we work with Dumfries and Galloway Integration Joint Board to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

# Appendix 3: Communication with those charged with governance and the Controller of Audit

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while our Annual Report to those Charged with Governance, for the Integration Joint Board are deemed to be the Audit and Risk Committee, will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to both the Dumfries and Galloway Integration Joint Board (the IJB) and the Controller of Audit.

<b>Our communication plan</b>	<b>Audit Plan</b>	<b>Audit Findings</b>
Respective responsibilities of auditor and management (senior officers)/those charged with governance and the Controller of Audit	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the IJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management (senior officers) and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the entity or all weaknesses in your internal controls.

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