

West Lothian Integration Joint Board

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for West Lothian Integration Joint Board and the Controller of Audit
September 2023

Contents

Key messages	3
Introduction	4
1. Audit of 2022/23 annual accounts	6
2. Financial management	9
3. Financial sustainability	12
4. Vision, leadership and governance	14
5. Use of resources to improve outcomes	16

Key messages

2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the West Lothian Integration Joint Board are unmodified.
- 2 The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

Financial management

- 3 West Lothian Integration Joint Board has appropriate and effective financial management.
- 4 For the financial year 2022/23 West Lothian IJB reported a deficit of £18.8 million. The deficit resulted from the timing of Scottish Government Covid-19 funding which the IJB received in 2021/22 (surplus of £21 million) but spend was undertaken in 2022/23.
- 5 The “In year” health budget was overspent by £1.7 million but a break-even position was achieved due to a one-off allocation of £1.7 million from NHS Lothian for set aside costs.

Financial Sustainability

- 6 Medium and longer-term plans were updated in March 2023 to reflect latest financial pressures.
- 7 The financial plans project a budget gap of £17.3 million for the 3 years to 2025/26. Saving measures have been agreed for £13.1 million over the course of the 3 years to 2025/26, leaving a budget gap over 3 years of £4.2 million.

Vision, leadership and governance

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

Use of resources to improve outcomes

- 9 West Lothian Integration Joint Board has effective arrangements for managing and reporting performance.
- 10 Appropriate arrangements are in place to secure Best Value.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of West Lothian Integration Joint Board (West Lothian IJB). The scope of the audit was set out in an annual audit plan presented to the 8 March 2023 meeting of the Audit, Risk and Governance Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of West Lothian IJB's annual accounts.
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.
- conclusions on West Lothian IJB's arrangements for meeting its Best Value duties.

2. This report is addressed to the board of West Lothian IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Rachel Browne (Audit Director), have been appointed by the Accounts Commission as auditor of West Lothian IJB for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank management, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

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

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

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

Auditor Independence

8. 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 therefore the 2022/23 audit fee of £31,470 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

9. We add value to West Lothian IJB by:

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

1. Audit of 2022/23 annual accounts

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

Main judgements

Audit opinions on the annual accounts of West Lothian IJB are unmodified.

The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

Audit opinions on the annual accounts are unmodified

10. The board approved the annual accounts for West Lothian IJB for the year ended 31 March 2023 on 19 September 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- 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 was prepared in accordance with the financial reporting framework.
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £6.5 million

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

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

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£6.50 million
Performance materiality	£4.88 million
Reporting threshold	£0.25 million

Source: Audit Scotland

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

14. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of no significant matters arising, audit recommendations, adjusted or unadjusted errors.

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

Significant findings and key audit matters

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

17. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements. We have no significant issues to report from the audit.

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

18. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Agreement of balances and transactions to West Lothian Council and NHS Lothian financial reports / ledger / correspondence. • Auditor assurances will be obtained from the auditors of West Lothian Council and NHS Lothian over the completeness, accuracy and allocation of income and expenditure. • Review of significant adjustments at year-end. • Review of financial monitoring reports during the year. 	<p>We obtained assurances from the external auditors of NHS Lothian and West Lothian Council.</p> <p>No significant weaknesses in the systems of internal control have been identified that impact on West Lothian IJB.</p> <p>We reviewed adjustments at year end and financial monitoring reports.</p> <p>Conclusion No incidents of management override of controls were identified.</p>

Source: Audit Scotland

There were no identified misstatements in the audited annual accounts

19. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Our audit identified no misstatements above our reporting threshold.

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

20. The unaudited annual accounts were received in line with our agreed audit timetable on 27 June 2023. The working papers provided to support the audit process were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly and concluded in line with the provisional timeline in the Annual Audit Plan.

There were no objections to the annual accounts

The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the annual accounts. This must remain on the website throughout the inspection period. West Lothian IJB complied with this requirement and there were no objections to the 2022/23 annual accounts.

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

West Lothian Integration Joint Board has appropriate and effective financial management.

For the financial year 2022/23 West Lothian IJB reported a deficit of £18.8 million. The deficit resulted from the timing of Scottish Government Covid-19 funding which West Lothian IJB received in 2021/22 (surplus of £21 million) but spend was undertaken in 2022/23.

The “In year” health services budget was overspent by £1.7 million but a break-even position was achieved due to an additional funding contribution of £1.7 million from NHS Lothian to address the overspend.

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

21. Senior management and West Lothian IJB members regularly receive and monitor financial information on the financial position. 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 Covid-19 costs and the additional funding as it was being received. We have concluded that West Lothian IJB has good budget monitoring arrangements that support effective scrutiny.

The IJB returned a deficit on the provision of services of £18.8 million in 2022/23, largely due to the timing of Covid-19 funding received late in 2021/22 and subsequent spend in 2022/23

22. [Exhibit 3](#) provides a summary of the financial position. West Lothian IJB returned a deficit of £18.8 million which reduced reserves to £11.294 million as at 31 March 2023. The majority of this deficit relates to the timing of Covid-19 funding received late in 2021/22 from the Scottish Government for use in 2022/23. This resulted in a Covid-19 reserve balance of £15.3 million as 31 March 2022. The IJB spent £4.7 million of these reserves in 2022/23. In September 2022 the Scottish Government indicated that it would reclaim

unspent IJB Covid-19 reserves for use elsewhere in the NHS. £10.6 million was reclaimed from West Lothian IJB by the Scottish Government via reduced NHS funding allocations, which were passed on to the IJB by NHS Lothian. The IJB's remaining Covid-19 reserves were used to cover the gap created by the reduction in funding. Going forward, the expectation is that any Covid-19 expenditure is funded by IJB baseline budgets.

23. The “In year” health services budget was overspent by £1.7 million but a break-even position was achieved due to an additional funding contribution of £1.7 million from NHS Lothian to cover the overspend.

Exhibit 3 Financial Position

	Actual Outturn £m
Cost of Services	322.765
NHS Lothian funding	218.831
West Lothian Council funding	85.147
Deficit on Provision of Services	(18.786)
Reserves brought forward	30.080
Total Reserves as at 31 March 2023	11.294
Earmarked Reserves	9.294
Uncommitted General Fund Reserve	2.000

Source: West Lothian IJB annual accounts

Budget monitoring arrangements were appropriate

24. Budget monitoring reports were submitted to the West Lothian IJB Board throughout the year. The outturn to date and projected year-end outturn position were clearly stated in these reports. The actual year-end outturn position was broadly in line with expectations: a £3.2 million overspend on acute set aside services was partly offset by underspends on core health services and pan-Lothian hosted services. NHS Lothian contributed additional one-off funding to address the remaining £1.7 million overspend.

25. Through attending committee meetings, we observed that senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded that West Lothian IJB has appropriate budget monitoring arrangements.

Financial systems of internal control operated effectively

26. 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 constituent bodies and processed in their accounting records. West Lothian IJB does not have its own financial systems and instead relies on the financial systems of its constituent bodies, NHS Lothian and West Lothian Council.

27. 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.

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

28. 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 constituent bodies. The IJB has a Code of Conduct for members and the Members' Registers of Interest are publicly available on the IJB's website.

29. 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.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

Medium and longer-term plans were updated in March 2023 to reflect latest financial pressures.

The financial plans project a budget gap of £17.3 million for the 3 years to 2025/26. Saving measures have been agreed for £13.1 million over the course of the 3 years to 2025/26, leaving a budget gap over 3 years of £4.2 million.

We carried out audit work in response to risks relating to financial sustainability identified in our 2022/23 Annual Audit Plan

30. Exhibit 4 sets out the wider scope risks relating Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 4

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>Financial Sustainability</p> <p>Health boards and councils continue to face significant financial pressures from funding levels and increasing demands on services.</p> <p>There is a risk that WLIJB, in partnership with NHS Lothian and West Lothian Council may not be able to identify sustainable savings measures or meet cost pressures as they arise</p>	<ul style="list-style-type: none"> Review financial monitoring reports including the MTFP (Medium Term Financial Plan) to assess the financial position, including progress in realising efficiency savings. Review of the Joint Board's year-end reserves position, including the earmarking of reserves. 	<p>Reviewed the new 3-year budget plan and 5-year financial strategy agreed by the West Lothian IJB Board in March 2023.</p> <p>Conclusion: Medium-term and longer-term financial plans, along with agreed saving measures, appear well developed and are regularly reviewed.</p>

West Lothian IJB agreed a 3-year financial plan and 5-year financial strategy in March 2023

31. 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.

32. West Lothian IJB agreed a new 5-year Strategic Plan in March 2023. As part of that process, a new 3-year financial plan and 5-year financial strategy were also agreed in March 2023. Medium and longer-term plans have been updated to reflect the impact of financial pressures.

33. The 3-year budget plan projects a funding gap for the IJB of £17.3 million with savings measures of £13.1 million identified, leaving a gap of £4.2 million to be addressed over the 3-year period to 2025/26. In the 5-year financial strategy, West Lothian Integration Joint Board is projecting a budget deficit of £28.2 million over the 5-year period from 2023-28. This is before the identified savings over the 3-year plan are removed, leaving a funding gap of £15.1 million over 5 years.

34. West Lothian IJB will hold further consultation with staff, service users and wider West Lothian public and stakeholders as part of its process to help identify additional savings measures to close the remaining funding gaps identified over the 3-year and 5-year financial plans.

35. West Lothian IJB has clearly identified the funding gaps through its medium-term and longer-term financial planning. Savings plans have been agreed and will continue to be monitored including identifying further potential savings to meet the remaining 3-year budget gap of £4.2 million. The IJB's medium-term and longer-term planning and saving measures appear well developed and soundly based. We will continue to monitor West Lothian IJB's progress in delivering identified savings and identifying additional savings to address the remaining funding gap.

4. Vision, leadership and governance

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

Conclusion

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

Governance arrangements remain appropriate and operate effectively

36. The West Lothian IJB Board met seven times during 2022/23 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.

37. An update on governance issues of concern was presented by the Standards Officer to the IJB Audit, Risk and Governance Committee in June 2023. The report contained a list of items that still required work after previous updates as well as new issues arising during the current year to ensure that they receive early attention. 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.

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

West Lothian IJB has produced a new Strategic Plan for 2023-28 setting out its ambition for the continued development and improvement of health care services

39. 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.

40. In developing its new strategic plan, the IJB completed a 'Strategic Needs Assessment' to identify the needs and priorities of the population. Alongside this analysis, the IJB undertook engagement exercises with partners, staff, unpaid carers and people who use West Lothian IJB services to help identify what was working well along with what areas require development. The IJB also undertook work to review the previous IJB Strategic Plan to help identify potential priorities for the new plan.

41. Over the course of our 5-year appointment, we will monitor the IJB's progress in the delivery of the strategic plan objectives to ensure achievement of the nine national health and wellbeing outcomes.

Changes in senior IJB roles

42. The IJB vice chair resigned as a voting member of the board on 16 May 2023. West Lothian Council has yet to appoint a replacement voting member to the board and the position of vice chair also remains vacant. One of the non-voting board members (Professional Advisor) was replaced on 1 April 2023.

43. On 1 May 2023, a new Chief Finance Officer (CFO) was appointed on an interim basis. The West Lothian IJB Board confirmed the permanent appointment of the new CFO at its meeting on 27 June 2023.

Revisions to the Integration Scheme have been concluded

44. Legislation requires that the Integration Scheme be reviewed by the council and the health board at least every five years. The revised scheme was approved by the council in April 2022, by the health board in June 2022 and submitted to Scottish Ministers for approval in August 2022. Scottish Ministers approved the scheme in May 2023.

5. Use of resources to improve outcomes

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

Conclusion

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

Appropriate arrangements are in place to secure Best Value.

West Lothian IJB has effective arrangements for managing and reporting performance

45. 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. The Ministerial Strategic Group for Health and Community Care has agreed a core suite of integration indicators against which all IJBs should report in their annual performance reports.

46. The IJB Board has continued to monitor key performance throughout the year. The 2022/23 draft annual performance report was presented to the Board in June 2023. The report was a draft because data for inclusion in the report was not available at the time of the Board meeting. The Head of Strategic Planning and Performance sought a decision from the IJB to delegate authority to the Chief Officer to approve the final version of the annual performance report once data was available and ensure publication by the required deadline of 31 July 2023. The final version was published on the IJB website prior to the deadline.

47. Underneath the nine National Health and Wellbeing Outcomes sit integration indicators which all Health and Social Care Partnerships use to report their performance. Of the 18 currently reported national indicators, the West Lothian IJB is at or better than the Scottish national average in 15 indicators.

48. For indicators 1 to 10 (no data for indicator 10), performance is at or better for 6 of the 9 indicators in comparison to the Scottish national averages.

However, the indicators cannot be compared with previous years data because of changes in the way the Experience Survey commissioned by the Scottish Government was designed. The West Lothian response rate to this survey was in line with the Scottish national average response (26%: 3,894 responses).

49. West Lothian IJB's performance was significantly better than the Scottish national average in the following measures:

- **National Indicator 3** – The percentage of adults at home who agree that they had a say in how their help, care or support was provided.
- **National Indicator 5** – Total percentage of adults receiving any care or support who rated it as excellent or good.

50. West Lothian IJB's performance was significantly below the Scottish national average in the following measures:

- **National Indicator 2** – Percentage of adults supported at home who agree that they are supported to live as independently as possible.
- **National Indicator 8** – Total combined % carers who feel supported to continue in their caring role.

51. For indicators 11-20 (no data for indicator 20), performance is at or better for all 9 indicators compared to the Scottish national averages. In comparison to the prior year data, the IJB improved in five indicators with three getting worse and one remaining the same. West Lothian IJB's performance was significantly better than the Scottish national average in the following measures:

- **National Indicator 13** – Rate of emergency bed days per 100,000 of population.
- **National Indicator 19** – The number of days people spend in hospital when they are ready to be discharged (per 1,000 of population).

52. Although indicators 1 to 9 can be compared to Scottish national averages, they cannot be compared to prior year data due to a change in the Scottish Government's approach to the commissioned survey. Annual comparative data would help the IJB understand its own performance over time but currently they have no control over the commissioning of the survey. Overall, the IJB has ensured effective arrangements are in place for managing and reviewing performance.

West Lothian IJB has appropriate arrangements in place for securing Best Value

53. 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.

54. The Chief Finance Officer presented the IJB Annual Best Value Framework Statement to the Audit, Risk and Governance Committee in June 2023. The assessment presented considered the 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 the IJB at this time over and above the actions already taking place as detailed in the statement.

West Lothian Integration Joint Board

2022/23 Annual Audit Report

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

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or

[subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk

www.audit-scotland.gov.uk