



**REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
30 AUGUST 2016**

REPORT ON: ANNUAL ACCOUNTS 2015/16

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB43-2016

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to present the Integration Joint Board's Draft Audited Annual Statement of Accounts for the year to 31 March 2016 for approval, to note the draft external auditor's report in relation to these accounts and approve the response to this report.

2.0 RECOMMENDATIONS

It is recommended that the Integration Joint Board (IJB):

2.1 Notes the contents of the attached draft external auditor's report (attached as Appendix 1) including the completed action plan at page 15 of the report, and in particular that KPMG have indicated they will issue an unqualified audit opinion on the IJB's 2015/16 Annual Accounts;

2.2 Endorses this report as the IJB's formal response to the external auditor's report;

2.2 Approves the attached Audited Annual Accounts (attached as Appendix 2) for signature and instructs the Chief Finance Officer to return these to the external auditor;

2.3 Instructs the Chief Finance Officer to arrange for the above Annual Accounts to be published on the Dundee Health & Social Care Partnership website by no later than 31 October 2016.

3.0 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

4.0 MAIN TEXT

4.1 Background

4.1.1 The IJB's Draft Annual Accounts 2015/16 were presented and approved by the IJB at its meeting on the 28th June 2016 (Report DIJB32-2016). This report noted that the IJB is required to prepare financial statements for the financial year ending 31st March 2016 following the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 ("the 2015-16 Code"). The Annual Accounts report the financial performance of the IJB. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to the IJB for the delivery of the IJB's vision and its core objectives.

4.1.2 The report also considered and approved an External Audit Strategy for 2015/16 provided by the IJB's assigned external auditor, KPMG. This described how the auditor would deliver their audit to the IJB, outlined their responsibilities and their intended approach.

4.2 External Auditors Report

4.2.1 KPMG have now completed their audit work and, in accordance with auditing standards (ISA 260: Communication with those charged with governance), are required to report the outcome of their work in relation to their review of the financial statements, prior to formally issuing their audit opinion. This requirement has been addressed in the attached External Auditor's Report.

4.2.2 The report summarises the findings in relation to the overall audit of the IJB for the year ended 31st March 2016. It describes the scope of audit work undertaken during 2015/16 and the issues arising from that work are divided into four key audit dimensions:

Financial Sustainability
Financial Management
Governance and Transparency
Value for Money

4.2.3 In addition to the members of the IJB, the external auditor's report is also addressed to the Controller of Audit of the Accounts Commission for Scotland.

4.3 Action Plan

4.3.1 The external auditor has identified one key issue arising from the 2015/16 audit that requires further action by the IJB. This relates to a recommendation that the IJB creates and implements a framework for planning and approving annual funding agreements and summarises a medium to long term financial forecast with collaboration with NHS Tayside and Dundee City Council, including consideration of the financial risk sharing agreement with the parties for the medium to long term. It should be noted that these recommendations have not been identified by the external auditor as being significant. These recommendations will be taken forward by the Chief Finance Officer and Chief Officer through the budget negotiation process with Dundee City Council and NHS Tayside, with longer term financial planning set out clearly through the publication of the Annual Financial Statement as required by legislation.

4.3.2 The audit of the accounts identified one audit adjustment required to the draft annual accounts which impacted on the net assets and income and expenditure for the year. This related to the removal of expenditure reflected in the draft accounts incurred prior to the formal establishment date of the IJB. A small number of minor presentational adjustments were also required. An accrual for short term accumulated balances was identified and considered to be a material balance. All of these adjustments have been incorporated into the attached annual accounts.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Officer, External Auditor and the Clerk have been consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 6 June 2016



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Appendix 1

Dundee Integration Joint Board

Annual audit report

Period ending 31 March 2016

25 August 2016

Contents



1. EXECUTIVE SUMMARY



2. SIGNIFICANT RISKS



3. FINANCIAL POSITION



4. WIDER SCOPE



5. APPENDICES

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Dundee Integration Joint Board ("the IJB") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw who is the engagement leader for our services to Tayside Contracts Joint Committee, telephone 0131 527 6673, email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Alex Sanderson, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6720 or email to alex.sanderson@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Executive summary

Audit conclusions

- We expect to issue an unqualified audit opinion on the financial statements of Dundee Integration Joint Board (“the IJB”), following receipt of the management representation letter.
- The IJB is required to prepare its financial statements in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom (“the Local Authority Code”). Additional guidance on accounting for the integration of the health and social care was created by the Local Authority (Scotland) Accounts Advisory Committee (“LASAAC”). Our audit confirmed that the financial statements have been prepared in accordance with the LASAAC guidance and relevant legislation.
- We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.
- There was one adjusted and no unadjusted audit differences. A small number of minor presentational adjustments were required to some of the financial statement notes, as part of the first period preparation process.

Financial position

- During 2015-16 the IJB Shadow Board operated with only limited running costs. The break even position at the period end of 31 March 2016 was comprised of corporate and democratic core income and expenditure of £107,258.

Financial statements and related reports

- We have concluded satisfactorily in respect of each significant risk and audit focus area identified in the audit strategy. We concur with management’s accounting treatment and judgements, including going concern. We have no matters to highlight in respect of: unadjusted audit differences; independence; or changes to standard management representations.

Wider scope matters

- We considered Audit Scotland’s wider scope audit dimensions as set out in the Code of Audit Practice and concluded positively in respect of financial management and governance and transparency.
- We highlighted some risk areas in relation to financial sustainability and value for money.

Executive summary

Scope and responsibilities

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Dundee Integration Joint Board (“the IJB”) under the Local Government (Scotland) Act 1973 (“the Act”). This document summarises our opinion and conclusions on significant issues arising from our audit. The scope and nature of our audit were set out in the audit strategy document.

Audit Scotland’s Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial management and sustainability, governance and transparency and value for money.

Accountable officer responsibilities

The Code sets out the IJB’s responsibilities in respect of:

- preparation of financial statements that show a true and fair view;
- systems of internal control;
- prevention and detection of fraud and irregularities;
- standards of conduct and arrangements for the prevention and detection of bribery and corruption;
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code. Appendix two sets out how we have met each of the responsibilities set out in the Code

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) (‘ISA’) 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This annual audit report to the Board, together with the previous report to the IJB, discharges the requirements of ISA 260.

Significant risks and audit focus areas

International Standard on Auditing (UK and Ireland) 315 (ISA): *Identifying and assessing risks of material misstatement through understanding the entity and its environment* requires the auditor to determine whether any of the risks identified as part of risk assessment are significant risks and therefore requiring specific audit consideration. Professional standards require us to make a rebuttable presumption that the fraud risk from income recognition is a significant risk. As the IJB did not direct services during 2015-16, it did not receive income for operations and therefore we do not consider the fraud risk from revenue recognition to be significant.

We summarise below the risks of material misstatement as reported within the audit strategy document. We set out the key audit procedures to address those risks and our findings from those procedures on the following pages, in order that the IJB may better understand the process by which we arrived at our audit opinion.

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
Fraud risk from management override of controls	Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We have no changes to the risk or our approach to addressing the assumed ISA risk of fraud in management override of controls. We do not have findings to bring to your attention in relation to these matters. No control overrides were identified.
OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
First year financial statements preparation	<ul style="list-style-type: none"> ■ As 2015-16 is the first period of the preparation of the IJB's financial statements, we reviewed the disclosures in the financial statements against the requirements of the 2015-16 Code, the Local Authority Accounts (Scotland) Regulations 2014 and LASAAC guidance. ■ The remuneration report was reviewed to confirm the appropriate officers are disclosed and that the amounts are accurate by agreeing to supporting documentation. ■ The statutory responsibility for employer pension liabilities sits with Dundee City Council as the employing partner organisation and therefore no pension liability sits within the IJB balance sheet. 	The accounts have been prepared in accordance with the relevant legislation and guidance.

Overview

In March 2014 the Public Bodies (Joint Working) (Scotland) Act was passed by the Scottish Government. This required all Councils and NHS Boards to formally and legally establish integration of health and social care by April 2016. The integration scheme for Dundee City was approved by Scottish Government in September 2015. The IJB was formally established on 3 October 2015.

Whilst there was no transfer of functions until 1 April 2016, the IJB was required to prepare financial statements for 2015-16, following the 2015-16 Code. Guidance was issued by The Local Authority (Scotland) Accounts Advisory Committee ("LASAAC") in September 2015 on the expected content of the IJB accounts. The LASAAC guidance states that IJBs should comply with the Local Authority Accounts (Scotland) Regulations 2014, which includes the preparation of a remuneration report. The IJB appointed a Chief Officer in June 2015 and Chief Finance Officer in October 2015.

Financial position

CIES	£
Income	107,258
Expenditure	107,258
Net expenditure	-
Balance Sheet	£
Current assets	53,629
Current liabilities	53,629
Net assets	-

The IJB produced a break even position for 2015-16 which incorporated running costs, the Chief Officer and Chief Finance Officer salaries, audit and insurance fees. The IJB received contributions from Dundee City Council and NHS Tayside as income.

The remuneration report is appropriately produced to include the Chief Officer as this position is deemed to be a 'relevant position'. Per LASAAC guidance the Chief Officer costs should be allocated to the IJB from its establishment date. The costs of the Chief Officer had been included for the period before the establishment date and therefore were removed as presented in appendix three.

The balance sheet consists of an NHS Tayside debtor, the full amount of which had been received by the time of the audit. The creditor balance comprised of the audit fee and amount outstanding to Dundee City Council at year end.

An accrual for short term accumulated absences was considered to be a material balance. This was disclosed in the financial statement notes that Dundee City Council would meet the cost of this.

We summarise below the work we have undertaken in the year to obtain assurances over the arrangements for each audit dimension and our conclusions on the effectiveness and appropriateness of these arrangements.

Financial sustainability

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.

Our conclusion below is derived from the following audit tests, carried to determine the effectiveness of the financial sustainability arrangements.

Framework for planning and agreeing the annual funding arrangements

The framework for planning and agreeing annual funding arrangements was discussed at Board meetings during the period. The IJB must operate within the budgetary timelines for local government and the NHS, which are not aligned. Funding directions for 2016-17 are available, however no formal funding agreement is in place. The IJB should ensure that the process for financial planning for 2017-18 and onwards starts timeously and that the IJB engages with the Scottish Government and its partners to review the financial planning process.

Recommendation one

Development and approval of 2016-17 budget

No formal 2016-17 budget has been approved, however a cost reduction plan for 2016-17 and 2017-18 has been approved by the IJB Board. The due diligence exercise identified the resources delegated by NHS Tayside for 2016-17 are not presently adequate and that considerable financial risks remain. Cost efficiencies and targets have been identified, although there is a shortfall of £1,582,000 for their achievement.

Recommendation one

Medium to long term forecasting and planning

There have been elements of forecasting analysis of services and funds available, however this is not summarised into a medium to long term financial plan. However, there is a financial risk sharing agreement with its partners, that has been agreed with NHS Tayside for the next two years. This dictates the responsibility for meeting the above overspends lies with the partner delivering the service, i.e. NHS Tayside.

Recommendation one

Management continues to work closely with the two partners and the Scottish Government to anticipate the impact of future local government budget and NHS allocations. We consider that the IJB is a going concern however there are risks around the uncertainty of future funding.

Value for money

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

We consider value for money and Best Value throughout our testing. Areas where we had a specific focus on value for money and Best Value are:

- *reviewing amounts disclosed in the of the IJB's financial statements to ensure they are in relation to the IJB.* This identified that all expenditure was in relation to running costs, after removing the Chief Officer's remuneration prior to the establishment date; and
- *reviewing the Strategic and Joint Commissioning plans;* ensuring the focus is delivering quality service to meet increasing demand with a clear focus on value for money.

Conclusion:

The IJB has evidenced using its resources for the purposes of initial set up and running costs of the IJB. One adjustment was made to the financial statements to correctly reflect the remuneration of the Chief Officer.

Financial management

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

Our conclusion below is derived from the following audit tests, carried out to determine the effectiveness of the financial management arrangements. This included:

- *consideration of the finance function and financial capacity within the IJB.* We noted that the Chief Financial Officer has the appropriate skills, capacity and experience to support the IJB and effectively manage the organisation; and
- *reviewing the IJB's financial directions and cost reduction plan for 2016-17 and 2017-18.* These were created in 2016-17 and approved by the Board. We found them to be suitably comprehensive.

Conclusion:

The IJB has appropriate financial capacity for current operations. This is supported by financial directions and scrutiny by senior management and IJB members.

Governance and transparency

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

In considering governance and transparency we performed the following work:

- *reviewing the organisational structure, development of strategy and governance reporting lines within the setup of the IJB.* The IJB demonstrates effective scrutiny, challenge and transparency on decision making in the board minutes reviewed. The website is still in development, however it is anticipated this will provide a platform for minutes and papers for all meetings to be published; and
- *reviewing arrangements for creating the audit and performance committee.* Draft terms of reference have been created, providing a governance framework to support challenge and scrutiny; and
- *reading the annual governance statement;* we are satisfied that this is prepared in line with relevant guidance and is consistent with the governance framework; and
- *internal audit engagement.* Internal audit was involved to provide assurance over the governance arrangements and primarily conducted a review of the due diligence process in 2015-16.

Conclusion:

Governance controls were found to be operating effectively and we consider the governance framework to be appropriate for IJB. Transparency will be achieved through the online publication of IJB papers and minutes.

Appendices

To the Integration Joint Board members

Assessment of our objectivity and independence as auditor of Dundee Integration Joint Board (the IJB)

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management

- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

We have considered the fees charged by us to the IJB for professional services provided by us during the reporting period.

The audit fee charged by us for the period ended 31 March 2016 was £5,740. No other fees were charged in the period. No non-audit services were provided to the IJB and no future services have been contracted or had a written proposal submitted.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the IJB.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the IJB and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Area	Appointed auditors responsibilities	How we've met our responsibilities
Corporate governance	Review and come to a conclusion on the effectiveness and appropriateness of arrangements to ensure the proper conduct of the bodies affairs including legality of activities and transactions, Conclude on whether the monitoring arrangements are operate and operating in line with recommended best practice.	Page nine sets out our conclusion on these arrangements.
Financial statements and related reports	Provide an opinion on audited bodies' financial statements on whether financial statements give a true and fair view of the financial position of audited bodies and their expenditure and income Provide an opinion on whether financial statements have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements Provide an opinion on the regularity of the expenditure and income (<i>not required for local government</i>).	Page two summarises the opinion we expect to provide.
Financial statements and related reports	Review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns.	Page two reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report. We have not reported on any grant claims.
Financial statements and related reports	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	No notifications to the Controller of Audit required.
Financial statements and related reports	Review and conclude on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.	Pages nine sets out our conclusion on these arrangements.
WGA returns and grant claims	Examine and report on WGA returns Examine and report on approved grant claims and other returns submitted by local authorities.	The IJB is below the threshold for the completion of audit work on the WGA return.

Appendix two

Appointed auditors responsibilities (continued)

Area	Appointed auditors responsibilities	How we've met our responsibilities
Standards of conduct – prevention and detection of fraud and error	Review and conclude on the effectiveness and appropriateness of arrangements for the prevention and detection of fraud and irregularities, bribery and corruption and arrangements to ensure the bodies affairs are managed in accordance with proper standards of conduct. Review National Fraud Initiative participation and conclude on the effectiveness of bodies engagement.	Not applicable for the 2015-16 for the IJB.
Financial position	Review and conclude on the effectiveness and appropriateness of arrangements to ensure that the bodies financial position is soundly based.	Page eight sets out our conclusion on these arrangements.
Financial position	Review performance against targets	Not applicable as no targets have been set in the IJB's first year.
Financial position	Review and conclude on financial position including reserves balances and strategies and longer term financial sustainability.	Pages seven sets out our conclusion on the IJB's financial position.
Best Value	Be satisfied that proper arrangements have been made for securing Best Value and complied with responsibilities relating to community planning.	Page eight sets out our conclusion on these arrangements.
Performance information	Review and conclude on the effectiveness and appropriateness of arrangements to prepare and publish performance information in accordance with Accounts Commission directions.	The Annual Performance Report for 2015-16 has not yet been published.

Adjusted and unadjusted audit differences

We are required by ISA (UK and Ireland) 260 to communicate all corrected and uncorrected misstatements, other than those which are trivial, to you. There was one audit adjustment required to the draft annual accounts which impacted on the net assets and income and expenditure for the year. There are no unadjusted audit differences.

A small number of minor presentational adjustments were required to some of the financial statement notes.

Caption	Nature of adjustment	BALANCE SHEET		INCOME AND EXPENDITURE	
		£ DR	£ CR	£ DR	£ CR
Income	Reduction in contributions from both partners due to lower costs after removal of payroll costs prior to the establishment date			38,986	
Expenditure - payroll	Reduction in payroll charge for costs incurred prior to the establishment date				38,986
Debtor – NHS Tayside	Decrease asset as costs no longer due to the IJB for payroll costs prior to the establishment date		17,114		
Creditor – Dundee City Council	Increase liability due to Dundee City Council for previously charged for costs prior to the establishment date	17,114			

The action plan summarises specific recommendations arising from our work, together with related risks and management's responses.

We present the identified findings across four audit dimensions:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

Priority rating for recommendations

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.

Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>Framework for planning <i>Audit dimension: financial sustainability</i></p> <p>The IJB does not have a formalised process for annual financial planning. While there have been elements of analysis of services and funds available this is not summarised into a medium to long term financial plan and NHS Tayside had not finalised its budget to support the efficiency targets. There is a financial risk sharing agreement with Dundee City Council and NHS Tayside, however this does not expand to the medium to long term.</p> <p>There is a risk that strategic decisions cannot be made where budgets are not agreed in advance of the start of the year and where the medium to long term financial assumptions are not clearly summarised in an overarching plan.</p>	<p>We recommend that the IJB:</p> <ul style="list-style-type: none"> ■ creates and implements a framework for planning and approving annual funding agreements; ■ summarises a medium to long term financial forecast based on collaboration with both NHS Tayside and Dundee City Council; and ■ should consider the financial risk sharing agreement with the partners for the medium to long term. 	<p style="text-align: center;">Grade two</p> <p>The recommendations will be taken forward by the Chief Finance Officer and Chief Officer through the budget negotiation process with Dundee City Council and NHS Tayside, with longer term financial planning set out clearly through the publication of the annual financial statement as required by legislation.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: March 2017</p>



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Dundee Integration Joint Board (IJB)
Annual Accounts For The Year Ended 31 March
2016

Audited

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Management Commentary

Introduction

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. This established the framework for the integration of health and adult social care in Scotland, to be governed by Integration Joint Boards (IJB's) with responsibility for the strategic planning of the functions delegated to it and for ensuring the delivery of its functions through the locally agreed operational arrangements.

Following approval from Dundee City Council and NHS Tayside, the Dundee Integration Scheme, the formal legal partnership agreement between the two parent organisations, was submitted to the Scottish Ministers in August 2015. On 3 October 2015 Scottish Ministers legally established Dundee's Integration Joint Board (IJB) by virtue of the Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Amendment (No 3) Order 2015. The IJB is responsible for the strategic planning of the functions delegated to it and for ensuring the delivery of its functions through the locally agreed operational arrangements.

As health and social care functions in Dundee were not formally delegated to the IJB until 1 April 2016, 2015/16 was a 'Shadow Year' to allow the IJB to implement the necessary frameworks to enable local implementation of integrated health and social care services.

This publication contains the financial statements for the first year, 'Shadow Year' of Dundee IJB for the year ended 31 March 2016. The Management Commentary highlights the key activities carried out to date and looks forward, outlining the anticipated financial outlook for the future and the challenges and risks facing Health and Social Care Services over the medium term.

Dundee Integration Joint Board

Principal Activities

Throughout 2015/16, in anticipation of health and social care functions being formally delegated to the IJB on 1 April 2016, the IJB's principal role has been ensuring the necessary processes, policies and plans are in place to allow local implementation of integrated health and social care services in terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and deliver on the commitments set out within Dundee's Integration Scheme.

During 2015/16, the IJB established its senior leadership team with the Chief Officer, Chief Finance Officer and Head of Health and Community Care all appointed over the period and the Head of Strategy & Performance appointed in early 2016/17. This team will oversee a structure which reflects the ambition of Dundee IJB to be a fully integrated model of strategic planning and operational service delivery in order to deliver the priorities reflected in the Strategic Plan.

The table below notes the membership of Dundee IJB in 2015/16:

<u>Role</u>	<u>Member</u>
Nominated by Health Board	Doug Cross*
Nominated by Health Board	Judith Golden*
Nominated by Health Board	Munwar Hussain*
Councillor Nominated by Dundee City Council	Ken Lynn*
Councillor Nominated by Dundee City Council	Stewart Hunter*
Councillor Nominated by Dundee City Council	David Bowes*
Chief Social Work Officer	Jane Martin
Chief Officer	David W Lynch
Proper Officer Appointed under section 95 (Chief Finance Officer)	Dave Berry
Registered medical practitioner whose name is included in the list of primary medical performers prepared by the Health Board	David Dorward
Registered nurse who is employed by the Health Board	Eileen McKenna
Registered medical practitioner employed by the Health Board and not providing primary medical services	Cesar Rodriguez
Staff of the constituent authorities engaged in the provision of services provided under integration functions	Barbara Tucker Jim McFarlane
Director of Public Health	Drew Walker
Third Sector Representative	Christine Lowden
Service user residing in the area of the local authority	Vacant in 2015/16
Persons providing unpaid care in the area of the local authority	Vacant in 2015/16

* Denote Voting Member

The development and agreement of the Strategic and Commissioning Plan was one of the most significant activities undertaken by the IJB over the course of 2015/16. The IJB established an Integrated Strategic Planning Group (ISPG), drawing on the valuable input of a range of stakeholders in line with legislative and national guidance. The ISPG's role in 2015/16 was to oversee the Strategic Planning process including agreeing the long term vision for Dundee and associated outcomes and objectives, taking into consideration an assessment of local needs, available resources, policy drivers and determining the service redesign and remodelling, investment, disinvestment and commissioning intentions required to meet the planned strategic and commissioning shifts. This was undertaken through applying an extensive participation and engagement programme. The Dundee Strategic and Commissioning Plan (2016-2021) was approved by the IJB in March 2016.

A process of Due Diligence was undertaken throughout the financial year to ensure that the financial resources delegated to the Health and Social Care Partnership are adequate to allow the Integration Joint Board to carry out its functions and to assess the risks associated with this. This was reported to the IJB in March 2016 and concluded that the resources to be delegated by Dundee City Council were adequate however further consideration was required in relation to NHS Tayside resources pending further development of a robust savings plan. The outcome of this will be presented to the IJB in June 2016.

A significant amount of the business of IJB meetings over the course of 2015/16 has consisted of the development of a range of governance policies and processes to enable the IJB to function effectively within a strong governance framework. In addition, a number of development events were held for IJB members to support them to understand their role in the IJB and to explore delegated services they may not have been familiar with.

The IJB agreed an action plan in response to the Audit Scotland report on Health and Social Care Integration with progress on this to be brought back to the IJB over the course of 2016/17. On 1 April 2016 health and social care functions in Dundee were formally delegated to the IJB.

The Annual Accounts 2015/16

The Annual Accounts report the financial performance of the IJB. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to us for the delivery of the IJB's vision and its core objectives. The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2015/16 Accounts have been prepared in accordance with this Code.

IJBs need to account for their spending and income in a way which complies with our legislative responsibilities. On 1 April 2016, Dundee IJB was formally established.

The Accounting Statements comprise:-

- a) Comprehensive Income and Expenditure Statement for the period to year ended 31 March 2016;
- b) Balance Sheet as at 31 March 2016
- c) Notes, comprising a summary of significant accounting policies, analysis of significant figures within the Accounting Statements and other explanatory information.

The Accounting Statements for 2015/16 do not include a Cash Flow Statement as the IJB does not hold cash or have a separate bank account or Movement in Reserves Statement as the IJB had nil reserves at the start and end of the financial period 2015/16.

Financial Performance

Income and Expenditure

For the financial period 2015/16, reflecting the period prior to the IJB assuming further responsibilities, the IJBs Income and Expenditure is limited to a small agreed list of transactions relating to the running costs of the IJB over the period. These are set out within the Income and Expenditure Statement.

Assets and Liabilities

Dundee IJB's Balance Sheet for 2015/16 is limited as a reflection of the Shadow Year arrangements in place over the period.

Reserves

As at 31 March 2016, the IJB had nil reserves. The IJB has a reserves policy for consideration in future years.

Future Financial Performance

The IJB is embedding a performance management culture throughout the Partnership. Over the next year we will work towards creating a framework of performance information which will analyse data, track progress and identify action to be taken as required. Regular performance management reports will be provided to the IJB, ISPG and managers.

The IJB also embraces scrutiny including external inspection and self-assessment, and, in addition, benchmarking will be used to compare our performance with other organisations to support change and improvement.

Financial information will be part of this performance management framework with regular reporting of financial performance to the IJB.

Financial Outlook, Risks and Plans for the Future

Health and social care services in Scotland are being delivered within an increasingly challenging financial environment, partly driven by current UK fiscal policy and partly due to increasing levels of demand. The effect of the UK Government's aim to reduce overall public sector spending continues to have a significant impact on the funding of local authorities and the NHS.

The impact of the 2016/17 finance settlement for local government in Scotland has resulted in local authorities having to consider unprecedented levels of savings, with resources delegated to IJB's required to contribute to delivering these savings. This financial outlook for local government is expected to continue in the medium term.

While NHS services have been relatively protected as a spending priority by UK and Scottish Governments, the extent of financial pressures within the health system also provides considerable challenges. Within NHS Tayside, average savings of around 5% per annum over the period of the IJB's Strategic Plan are anticipated in order to bring expenditure in line with budgeted resources as a reflection of predicted continued pressures on public sector expenditure at a UK and Scottish Government level.

At this time of fiscal constraint, demand for health and social care services is increasing and this is particularly acute locally due to the scale of need in Dundee, given the high levels of deprivation and health inequalities which exist and resultant high prevalence of multi-morbidity. In addition,

the medium to long term impact of the UK Government's programme of Welfare Reform is anticipated to be considerable to the local community.

The Scottish Government has recognised the particular challenges around integrating health and social care and has provided specific funding streams channelled through the IJB to support the development of creativity and tests of change in service delivery (such as the Integrated Care Fund and targeted initiatives such as Delayed Discharge funding). Furthermore, the Scottish Government finance settlement for 2016/17 includes additional funding of £250m nationally to be transferred to Health and Social Care Partnerships to ensure better outcomes in social care (Integration Fund).

Of this resource, the first £125m is to support additional spend on expanding social care to meet the objectives of integration. The second £125m is to help meet a range of existing costs faced by local authorities in the delivery of high quality health and social care services, including a commitment to ensure that all social care workers in the independent and third sectors are paid the National Living Wage of £8.25 per hour from 1 October 2016. The total value of this funding for Dundee IJB is £7.65m.

These resources are critical in supporting the service shifts set out in the Plan to achieve the priority outcomes on a longer term basis. While the Integration Fund and Delayed Discharge Fund have been confirmed as permanently baselined, the Scottish Government has not as yet confirmed if the Integrated Care Fund will also become a permanent funding stream therefore there is a risk that the £3.1m per annum allocated to Dundee is not available to continually develop tests of change. The IJB's financial plans however have made a prudent assumption that this funding will end in 2017/18 as initially announced. There is also a risk that the full year cost of implementing the Living Wage will exceed the resources allocated for this purpose.

NHS Tayside has recently established a Transformation Programme which provides the framework for services to deliver significant efficiencies over a wide range of workstreams such as workforce, medicines management and estates. These will be drawn down to a local Dundee IJB level over the course of 2016/17. Given the maturity of the Transformation Programme there is a risk that the scale of savings required may be difficult to achieve however, in relation to the IJB's liability around this, a risk sharing agreement is in place for the first two years of the IJB's existence whereby responsibility for overspends remains with the partner with operational responsibility for the delivery of the particular service.

The IJB's Strategic Plan sets out how the Dundee Health and Social Care Partnership will develop health and social care services for adults over the next five years to achieve shared goals and provide better experiences and better outcomes for the citizens of Dundee within this challenging financial environment. The plan identifies eight key priorities (health inequalities, early intervention/prevention, person centred care and support, carers, localities and engaging with communities, building capacity, models of support/pathways of care and managing our resources effectively) with a range of planned shifts in resources and service delivery and actions to support delivering these priorities. This will be the focus for the IJB over the period of the Plan and progress in meeting these priorities will be monitored through a performance management framework.

Conclusion

The activities of Dundee Health and Social Care Partnership in the 2015/16 shadow year have mainly related to developing the necessary governance and financial infrastructure to enable the Integration Joint Board to function effectively and to produce a Strategic Plan which sets out the ambition of the IJB to deliver significant change in the way services are delivered, in an integrated way, in order to achieve better outcomes for the local population.

Going forward, Dundee Health and Social Care Partnership has a significant financial challenge ahead to deliver this Strategic Plan in a climate of growing demand and limited resources. In order to achieve this we must ensure this resource is used effectively, identifying, testing and implementing innovative ways to deliver more personalised and well coordinated services, building the resilience of people and their communities and reducing unnecessary hospital admissions and delayed discharges from hospital. This will require the confidence to shift resources from intensive, high cost services to a focus on more preventative service provision to ensure best value for public funds.

Signed:

Doug Cross
IJB Chair

30 August 2016

David W Lynch
Chief Officer

30 August 2016

Dave Berry
Chief Finance Officer

30 August 2016

Annual Governance Statement

Scope of Responsibility

The Integration Joint Board (IJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The IJB also aims to foster a culture of continuous improvement in the performance of the IJB's functions and to make arrangements to secure best value.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. This is designed to manage risk to a reasonable level, but cannot eliminate the risk to failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

Board members and officers of the IJB are committed to the concept of sound internal control and the effective delivery of IJB services.

The financial period 2015/2016 saw the establishment of the IJB and during this period the governance framework was developed. The main features of the governance arrangements are summarised below. Formal transfer of functions to the IJB took place on 1 April 2016. The IJB via a process of delegation from the Health Board and Local Authority and its Chief Officer has responsibility for the planning, resourcing and operational delivery of all integrated health and social care within its geographical area with effect from the date of formal transfer of functions. On that basis the governance statement is set out to describe the position in terms of the 2015/16 governance framework and the work undertaken 2016/17 to date to further develop the governance framework

Governance Framework

The Board of the IJB comprises voting and non-voting members, the voting members comprise three Council Members nominated by the local authority and three are NHS Tayside Board members.

- The IJB, comprising of all IJB Board members was the key decision making body during 2015/16. Standing Orders and a Code of Conduct for the IJB have been approved and adopted.
- The Integration Scheme was approved by the Scottish Government in September 2015 with the IJB becoming legally established on the 3 October 2015.
- The IJB has appointed its senior leadership team, including the Chief Officer and Chief Finance Officer whose roles and responsibilities are set out clearly within the Integration Scheme, including overarching governance responsibilities.
- Internal Audit arrangements for 2015/16 were in place with the main focus being a review of the Due Diligence process.
- The IJB has reflected on the recommendations of the Audit Scotland Review of Health & Social Care Integration and developed an action plan to respond accordingly
- An Outcomes and Performance Framework has been adopted by the IJB which sets out the required reporting arrangements and timescales to the IJB and ambition to present an integrated performance framework, including monitoring progress in delivering the priorities as set out in the Strategic Plan and demonstration of Best Value.

- The IJB holds separate CNORIS membership in relation to potential liability claims to reflect the responsibilities of the IJB.
- The Strategic Plan has been developed and agreed, lead by the Integrated Strategic Planning Group, following comprehensive consultation with stakeholders and in line with the adopted Participation and Engagement Strategy.
- The high level operational management and support structure of the Health and Social Care Partnership has been agreed which will ensure services are delivered to eight localities consistent with existing Community Planning Partnership areas through a locality management approach.
- The IJB has adopted a Clinical and Care Governance Strategy to ensure that there are explicit and effective lines of accountability from care settings to Dundee IJB, the NHS Tayside Board and Dundee City Council
- A process of Due Diligence has been undertaken to assess the transparency, proportionality and adequacy of the resources to be delegated to the IJB from NHS Tayside and Dundee City Council with the outcome reported to the March 2016 IJB, prior to the IJB becoming responsible for operational service delivery. A follow up report will be presented in June 2016
- A Memorandum of Understanding has been agreed with Angus and Perth & Kinross IJB's to support the governance of Hosted Services, including setting out risk sharing arrangements
- The IJB has approved a Workforce and Organisational Development Strategy

Review of Adequacy and Effectiveness

The IJB has responsibility for conducting at least annually, a review of effectiveness of the system of internal control. The review is informed by the work of the officers of the IJB (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditor and the Chief Internal Auditor's annual report.

The review of the IJB's governance framework was supported by a process of self-assessment against a governance checklist developed by Internal Audit.

On the basis of the audit work undertaken, the Chief Internal Auditor has concluded that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16.

Continuous Improvement

The partnership is committed to continuous improvement and through the Outcomes and Performance Monitoring Framework will measure its performance in achieving its objectives as set out in the Strategic Plan. This will include ensuring the 2016/17 Financial Plan is managed effectively, that tests of change and innovation will continue to be supported through "Change " funding and that shifts in resources are demonstrated while improving outcomes for the people of Dundee.

Governance developments for 2016/17

- The IJB agreed in May 2016 to establish a Performance and Audit Committee, the remit and membership of which will be presented to the IJB in August for consideration. The committee will operate in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.
- The Audit Committee's core function will be to provide the IJB with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance arrangements.
- The Chief Internal Auditor for 2016/17 has been appointed.
- An overarching Risk Management Strategy has been approved with work ongoing to develop a risk register to be presented to a future IJB meeting.
- Financial Regulations governing the activities of the IJB have been approved.
- Arrangements for dealing with complaints handling will be presented to the IJB in June 2016, pending national guidance on the matter.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Dundee IJB's systems of governance. It is also noted that the IJB fully expects to review and continue to develop its systems of governance during 2016/17 to reflect its responsibilities in taking on devolved functions which will pose a number of challenges in the future.

Signed:

Doug Cross
IJB Chair

30 August 2016

David W Lynch
Chief Officer

30 August 2016

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) require local authorities and IJB's in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

1 Voting Board Members

Voting IJB members constitute councillors nominated as board members by constituent authorities and NHS representatives nominated by the NHS Board. The voting members of Dundee IJB were appointed through nomination by NHS Tayside and Dundee City Council.

Voting board members do not meet the definition of a 'relevant person' under legislation. However, in relation to the treatment of joint boards, Finance Circular 8/2011 states that best practice is to regard Convenors and Vice-Convenors as equivalent to Senior Councillors. The Chair and Vice Chair of the IJB should therefore be included in the IJB remuneration report. Neither the Chair or Vice Chair of Dundee IJB receive remuneration for their roles.

The IJB does not pay allowances or remuneration to voting board members; voting board members are remunerated by their relevant IJB partner organisation. For 2015/16 no voting board members received any form of remuneration from the IJB. Guidance states that the remuneration report may voluntarily disclose the names and partner organisations of the other voting members.

Voting Board Member	Total Taxable IJB Related Expenses 2015/16 £
Doug Cross, Chair of the Board	-
Councillor Ken Lynn, Vice Chair of the Board	-
Judith Golden, NHS Tayside	-
Munwar Hussain, NHS Tayside	-
Councillor Stewart Hunter, Dundee City Council	-
Councillor David Bowes, Dundee City Council	-

2 IJB Chief Officer

The appointment of an IJB Chief Officer is required by section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB is not however empowered to directly employ the Chief Officer; therefore the contract of employment must be with one of the partner organisations. Given the specific legal requirement to appoint a Chief Officer and the special legal regime that applies to the employment contract arrangements, for the purposes of the Remuneration Report, the IJB Chief Officer should be regarded as an employee of the IJB.

For Dundee IJB, the Chief Officer is therefore treated as an employee of the IJB, although his contract of employment is currently with Dundee City Council with his post funded by the IJB. For the period June to September 2015, the Chief Officer was employed by NHS Tayside. The statutory responsibility for employer pension liabilities sits with Dundee City Council as the employing partner organisation. There is therefore no pension liability reflected on the IJB balance sheet for Dundee IJB's Chief Officer.

3 Senior Officers

Other officers and staff are not regarded as employees of the IJB and are employed through either NHS Tayside or Dundee City Council; remuneration for these staff is reported through these bodies.

The annual salaries and pension entitlement of the relevant persons are shown in the following tables:

Name and Post Title	2015-2016	
	Taxable Salary, Fees and Allowances £	Total Earnings in Year £
Chief Officer, Dundee IJB: D Lynch	46,158	46,158

The pension entitlement for the Chief Officer for the period to 31 March 2016 is shown in the table below, together with the contribution made by NHS Tayside and Dundee City Council to his pension during the period.

Name and Post Title	Accrued Pension Benefits as at 31 March 2016		Change in accrued pension benefits since 31 March 2015		In Year Pension Contribution For Period to 31 March 2016 £
	Pension £	Lump Sum £	Pension £	Lump Sum £	
Chief Officer, Dundee IJB: D Lynch	32,783	95,522	1,471	4,414	11,961

Statement of Responsibilities

Integration Joint Board's Responsibilities

The IJB is required

- To make arrangements for the proper administration of its financial affairs and to secure that the proper officer has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). The Chief Finance Officer has been designated as that officer for the Joint Board.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To ensure that the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these audited Annual Accounts were approved for signature at a meeting of Dundee IJB on 30 August 2016.

Signed:

Doug Cross
IJB Chair

Date: 30 August 2016

The Chief Finance Officer' Responsibilities

The Chief Finance Officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper accounting practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates which were reasonable and prudent;
- Complied with legislation; and
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the IJB at the reporting date and the transactions of the IJB for the period ended 31 March 2016.

Signed:

Dave Berry CPFA
Chief Finance Officer

30 August 2016

Independent auditor's report to the members of Dundee Integration Joint Board and the Accounts Commission for Scotland

Under arrangements approved by the Commission for Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the annual accounts of Dundee IJB for the year ended 31 March 2016 is:

Andrew Shaw for and on behalf of KPMG LLP, Statutory Auditor

We certify that we have audited the financial statements of Dundee Integration Joint Board for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the body as at 31 March 2016 and of the income and expenditure of the body for the year then ended;

Independent auditor's report to the members of Dundee Integration Joint Board and the Accounts Commission for Scotland

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Andrew Shaw

For and on behalf of KPMG LLP

Chartered Accountants

20 Castle Terrace

Edinburgh

EH1 2EG

Statement of Accounts

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services and managing the IJB during the period. It includes, on an accruals basis, all of the IJB's day-to-day expenses and related income.

	2015-2016		
	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Corporate and democratic core	107.2	107.2	-
(Surplus) or deficit on the provision of services	107.2	107.2	-
Total comprehensive income and expenditure	-	-	-

Balance Sheet

The balance sheet shows the value as at 31 March 2016 of the assets and liabilities recognised by the IJB. The net assets of the IJB are matched by the reserves held by the IJB.

		31 March 2016
	Note	£000
Short-term debtors	4	53.6
Current assets		53.6
Short-term creditors	5	(53.6)
Current liabilities		(53.6)
Net Assets		-
Usable reserves		-
Total reserves		-

The unaudited accounts were authorised for issue on 30 June 2016 by Dave Berry, Chief Finance Officer and the audited accounts were authorised for issue on 30 August 2016.

Balance Sheet signed by:

Dave Berry, CPFA
Chief Finance Officer

Note 1 Accounting Policies

General Principles

The Annual Accounts summarises the Integration Joint Board's transactions for the 2015/16 financial period and its position at the year-end of 31 March 2016. The Board is required to prepare Annual Accounts by The Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS) and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The accounting convention adopted in the Annual Accounts is principally historical cost and on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Integration Joint Board's financial position or financial performance. Where there has been a change in accounting policy, that change will be applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Where there has been a change in accounting estimate, that change will be applied prospectively, i.e. in the current and future years affected by the change. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement or omission will be restated unless it is impracticable to do so.

Events after the Balance Sheet date

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. There are two types of events:

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Annual Accounts are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Annual Accounts are not adjusted reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

Provisions

Provisions are made where an event has taken place that gives the Integration Joint Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Note 2 Accounting Standards Issued not Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following accounting standards have been issued but are not yet adopted in the 2015/2016 Code of Practice on Local Authority Accounting in the United Kingdom:

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
Annual Improvements to IFRSs (2010-2012 and 2012-2014 Cycles)
Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

These amendments will be adopted in the 2016/2017 Code of Practice on Local Authority Accounting in the United Kingdom and the IJB will be required to reflect them, as necessary, in its 2016/2017 Annual Accounts. It is not anticipated that any of these amendments will have a significant impact on the IJB. In respect of the last item listed above, however the comparator (2015/2016) information will also require to reflect the new formats and reporting requirements.

Note 3 Events after the balance sheet date

The Chief Finance Officer, being the officer responsible for the IJB's financial affairs, signed the unaudited Annual Accounts on 30 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 4 Debtors

	31 March 2016
	£000
Central government bodies	-
NHS bodies	53.6
Other local authorities	-
Other entities and individuals	-
Total debtors	53.6

Note 5 Creditors

	31 March 2016
	£000
Central government bodies	5.7
NHS bodies	-
Other local authorities	47.9
Other entities and individuals	-
Total creditors	53.6

Note 6 Related parties

The IJB's related parties are those bodies or individuals that have the potential to control or significantly influence the IJB, or to be controlled or significantly influenced by the IJB, or where those individuals or bodies and the IJB are subject to common control. The IJB is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties. Disclosure of this information allows readers to assess the extent to which the IJB might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with them.

NHS Tayside and Dundee City Council

NHS Tayside and Dundee City Council provide all of the IJB's funding for 2015/16 on an equal basis.

The IJB's expenditure figure for 2015/16 of £107.2k consisted of expenditure incurred by Dundee City Council of £101.5k with an IJB audit fee due of £5.7k. The IJB's income figure for 2015/16 of £107.2k consisted of £53.6k from NHS Tayside and £53.6k from Dundee City Council.

The IJB's short term creditor figure of £53.6k relates to audit fees and cash balance due to Dundee City Council. The IJB's short term debtor of £53.6k relates to outstanding recharges to NHS Tayside.

Note 7 Accumulated Absences

The IJB has recognised there is a material charge to be made of £5k in relation to accumulated absences for 2015/16. Dundee City Council has agreed to fund the cost of this which is consistent with the principles of the Integration Scheme.

Note 8 External audit costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2015-2016 were £5.7k. There were no fees paid to Audit Scotland in respect of any other services. The external auditor appointed by Audit Scotland for 2015-16 was KPMG LLP.

Note 9 Contingent assets and liabilities

A contingent asset or liability arises where an event has taken place that gives the IJB a potential obligation or benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the IJB. Contingent assets or liabilities also arise where a provision would otherwise be made but, either it is not probable that an outflow of resource will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts when they are deemed to be material.

9.1 Clinical and Medical Negligence

Dundee IJB provides clinical services to patients under the statutory responsibility of NHS Tayside. In connection with this, it is responsible for any claims for medical negligence arising from the services it commissions, up to a specific threshold per claim. For claims in excess of this threshold NHS Tayside and IJB are members of the 'Clinical Negligence and Other Risks Indemnity Scheme' (CNORIS). This is a risk transfer and financing scheme which was established in 1999 for NHS organisations in Scotland, the primary objective of which is to provide a cost effective risk pooling and claims management arrangement for those organisations which it covers.

The Regulations governing the CNORIS Scheme were amended on 3 April 2015 so that Integration Joint Boards and Local Authorities could apply to the Scottish Ministers to become members of the Scheme.

CNORIS provides indemnity to member organisations in relation to Employer's Liability, Public/Product Liability and Professional Indemnity type risks (inter alia) no less wider than that generally available within the commercial insurance market.

NHS Tayside (through CNORIS) and Dundee City Council already have relevant insurance cover in place; this will remain in place to cover the employees who are employed by and the services that are delivered by those organisations.

Dundee IJB has joined the CNORIS scheme to cover for Board members at this stage at a cost of £3,000 per annum.

The IJB is required to make provision for any claims notified by the NHS Central Legal Office according to the value and probability of settlement. Where a claim is not provided for in full, the balance would be included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for would be recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.