



REPORT TO: PERFORMANCE AND AUDIT COMMITTEE – 12 SEPTEMBER 2017
REPORT ON: AUDIT SCOTLAND ANNUAL REPORT AND INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2016/17
REPORT BY: CHIEF FINANCE OFFICER
REPORT NO: PAC21-2017

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to present the Integration Joint Board's (IJB) Draft Audited Annual Statement of Accounts for the year to 31 March 2017 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 Performance and Audit Committee (PAC):

- 2.1 Notes the contents of the attached Audit Scotland cover letter (attached as Appendix 1) and the draft external auditor's report (attached as Appendix 2) including the completed action plan outlined on pages 22-24 of the report, and in particular that Audit Scotland have indicated they will issue an unqualified audit opinion on the IJB's 2016/17 Annual Accounts;
- 2.2 Endorses this report as the IJB's formal response to the external auditor's report;
- 2.3 Instructs the Chief Finance Officer to provide an update on progress of the action plan noted in Appendix 1 of the external auditor's report by January 2018;
- 2.4 Approves the attached Audited Annual Accounts (attached as Appendix 3) for signature and instructs the Chief Finance Officer to return these to the external auditor;
- 2.5 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 2017.

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 2016/17 were presented and approved by the IJB at its meeting on 27 June 2017 (Report DIJB25-2017). This report noted that the IJB is required to prepare financial statements for the financial year ending 31 March 2017 following the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 ("the 2016-17 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 Annual Audit Plan for 2016/17 provided by the IJB's assigned external auditor, Audit Scotland. 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 Audit Scotland has 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 31 March 2017. It describes the scope of audit work undertaken during 2016/17 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 The main elements of Audit Scotland's audit work in 2016/17 have been:

- a review of the IJB's main financial systems and governance arrangements
- an audit of the IJB's 2016/17 annual accounts including the issue of an independent auditor's report setting out their opinions.

4.2.4 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.

4.2.5 In relation to the four key audit dimensions noted above, the Audit Scotland has identified no major issues and are of the opinion that the financial statements give a true and fair view of the state of the IJB's affairs and of its net expenditure for the 2016/17 financial year. A number of recommendations have been made which are reflected in the action plan. Audit Scotland has issued an unqualified independent auditor's report on the Dundee Integration Joint Board's Accounts for 2016/17.

4.3 Significant Findings from the audit of the Annual Accounts

4.3.1 As part of the audit of the 2016/17 annual accounts the following areas were noted and adjustments to the accounts made accordingly where relevant:

- Integration Funding Misstatement – the treatment of Integration Funding within the Comprehensive Income and Expenditure Statement and note 6 to the financial statements has been amended following agreement with the auditor. This adjustment does not impact on the net expenditure position of the IJB.
- Hospital Acute Services (set aside) – it has been noted that as a transitional arrangement for 2016/17 as agreed by the Scottish Government the budgeted and actual value of the "set aside" are equal. While the Comprehensive Income and Expenditure Statement in the Annual Accounts correctly incorporate the set aside costs, prioritising the processes for the planning and performance of delegated hospital functions has been noted as an action in the action plan.
- Annual Governance Statement and Management Commentary – a number of disclosures required by extant guidance and Regulations had not been fully presented in the Annual Governance Statement and Management Commentary. These have now been amended and enhanced including the appropriate disclosures.

4.4 Action Plan

4.4.1 Audit Scotland's 2016/17 recommendations for improvement and associated response by the IJB are noted in the Action Plan set out in Appendix 1 of the Audit Scotland Report. These actions cover the further development of planning and performance management of the large hospital set aside, compliance with guidance and regulations within the Annual Governance

Statement and Management Commentary, establishment of longer term financial plans, monitoring of the progress of the internal audit plan, development of an action plan for planned improvements in the performance management framework and the establishment of a system to ensure IJB members are given the opportunity to consider national performance reports.

It is recommended that the Chief Finance Officer provides an update on the progress of the agreed actions to meet these recommendations prior to the end of the current financial year in order to support the 2017/18 audit process.

5.0 POLICY IMPLICATIONS

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

6.0 RISK ASSESSMENT

Given the purpose of this report is to present the annual accounts for the year ended 2016/17 and the outcome of the External Auditors report a risk assessment is not required.

7.0 CONSULTATIONS

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

8.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 7 August 2017

Dundee City Integration Joint Board
Performance and Audit Committee

5 September 2017

Dundee City Integration Joint Board 2016/17 Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2016/17 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified
2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 30th August 2017 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to the Dundee City IJB Performance and Audit Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
5. As part of the completion of our audit we seek written assurances from the Proper Officer (Chief Finance Officer) on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix B. This should be reviewed for accuracy and any proposed amendments discussed with us. Once the Chief Finance Officer is satisfied with the content, he should sign and return the letter with the signed financial statements prior to the independent auditor's opinion being certified.

Outstanding matters

6. There are some areas where we still require additional information and these are identified below:

- **Letter of representation:** The letter, otherwise known as the ISA 580 letter, is required immediately before the certification of the annual accounts on 12 September 2017.
- **Financial statements:** Receipt of a final, revised set of annual accounts incorporating agreed amendments for final review.
- **Final financial ledger:** Receipt of a final financial ledger to support the financial statements.

APPENDIX A: Proposed Independent Auditor's Report

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

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Dundee City Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of Dundee City Integration Joint Board as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Dundee City Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 Dundee City Integration Joint Board 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.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

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

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA
Assistant Director
Audit Scotland
4th Floor
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

12 September 2017

APPENDIX B: Letter of Representation (ISA 580)

To be reproduced on Dundee City IJB letterhead and returned with the signed accounts

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

DATE

Dear Fiona

Dundee City Integration Joint Board Annual Accounts 2016/17

1. This representation letter is provided in connection with your audit of the financial statements of Dundee City Integration Joint Board for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Dundee City Integration Joint Board, as at 31 March 2017 and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Integration Joint Board, the following representations given to you in connection with your audit of Dundee City Integration Joint Board for the year ended 31 March 2017.

General

3. I acknowledge my responsibility and that of Dundee City Integration Joint Board for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Dundee City Integration Joint Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Annual Report to the financial statements, including the Management Commentary and Remuneration Report, presents a balanced picture of Dundee City Integration Joint Board and is consistent with the financial statements.
5. I confirm that I am not aware of any uncorrected misstatements.

Legality of financial transactions

6. The financial transactions of Dundee City Integration Joint Board are in accordance with the relevant legislation and regulations governing its activities. All known or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed to you, together with any actual or contingent consequences which may arise.

Financial Reporting Framework

7. The financial statements have been prepared in accordance with 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom, and in accordance with the requirements of Regulation 106 of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014 and directions made thereunder by the Scottish Ministers including all relevant presentation and disclosure requirements.
8. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Dundee City Integration Joint Board for the year ended 31 March 2017.

Remuneration report

9. The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2011 and Scottish Government finance circular 8/2011 and includes all specified remuneration for relevant officers and all elected members.

Accounting Policies & Estimates

10. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom.
11. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

12. I have assessed Dundee City Integration Joint Board's ability to carry on as a going concern and concluded that it is appropriate to prepare the financial statements on a going concern basis.

Related Party Transactions

13. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom.

Events Subsequent to the Date of the Balance Sheet

14. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
15. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

16. I acknowledge as Chief Finance Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
17. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2017, which require disclosure.

Fraud

18. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Provisions

19. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2017 and of which Dundee City Integration Joint Board could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2017.

Annual Leave Accrual

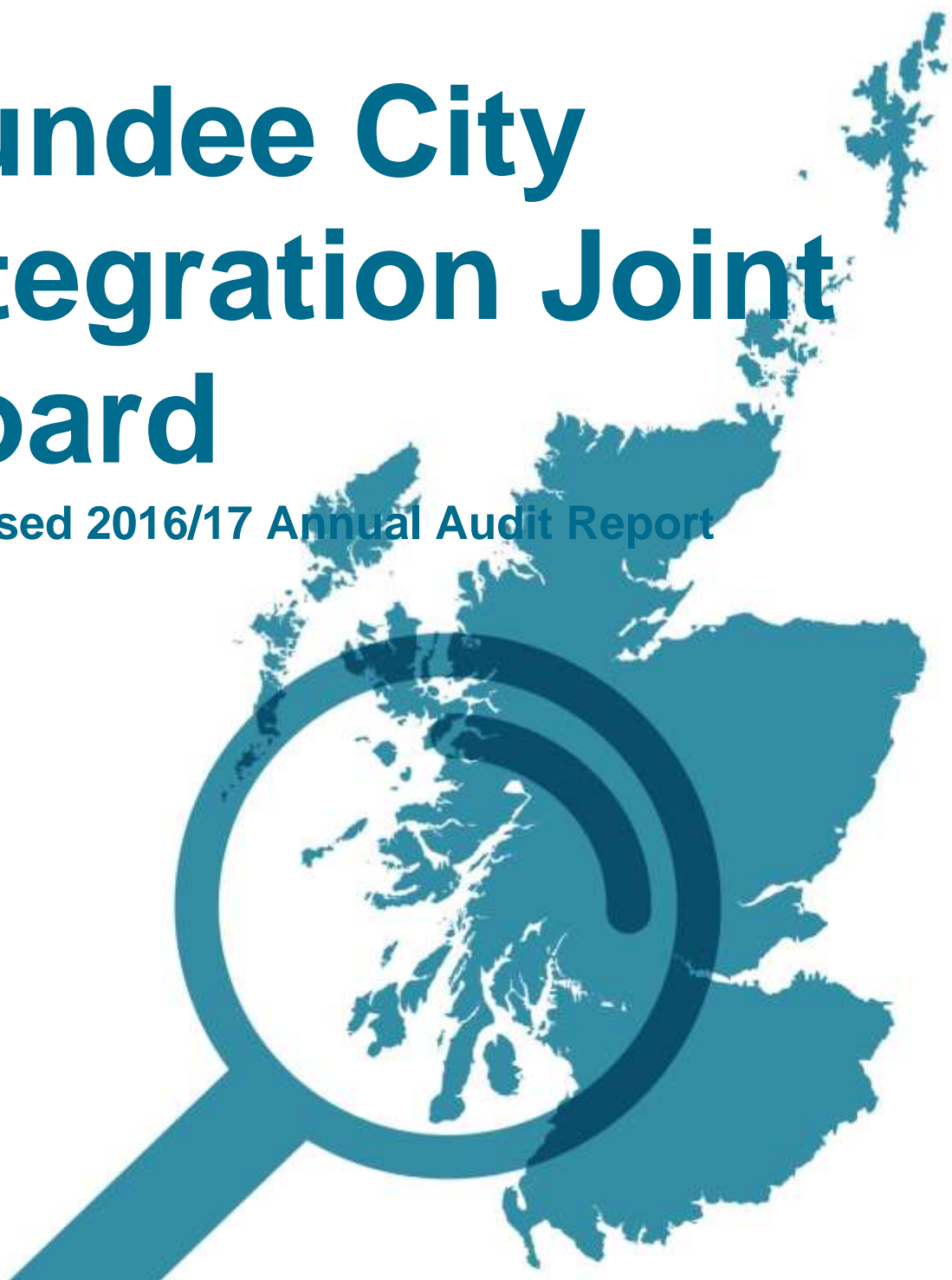
20. A holiday pay accrual is not included in the financial statements as the untaken leave balance at the year end is not considered material.

Yours sincerely

Dave Berry
Chief Finance Officer

Dundee City Integration Joint Board

Proposed 2016/17 Annual Audit Report



 AUDIT SCOTLAND

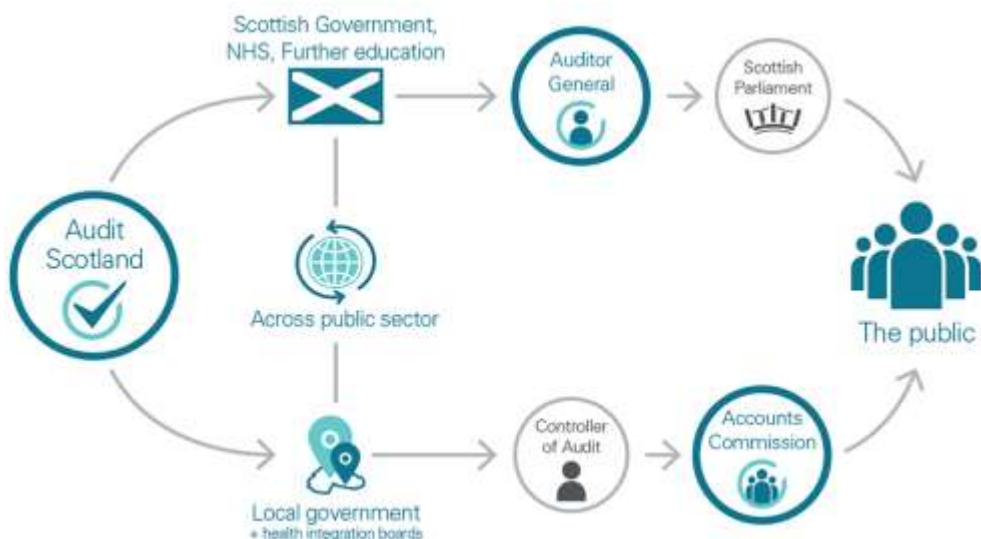
Prepared for the Dundee City Integration Joint Board and the Accounts Commission

12 September 2017

Who we are

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

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

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

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

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	6
Part 1 Audit of 2016/17 annual accounts	8
Part 2 Financial management	11
Part 3 Financial sustainability	13
Part 4 Governance and transparency	16
Part 5 Value for money	19
Appendix 1 Action plan 2016/17	22
Appendix 2 Significant audit risks identified during planning	25
Appendix 3 Summary of national performance reports 2016/17	29

Key messages

Audit of 2016/17 annual accounts

- 1 The financial statements of Dundee City Integration Joint Board for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.
- 2 We have issued an unqualified independent auditor's report on the Dundee City Integration Joint Board's Annual Accounts for 2016/17.

Financial management

- 3 Dundee City Integration Joint Board has a sound system in place to report on financial performance to members on a regular basis via the financial monitoring position report. Financial monitoring reporting is continuing to develop as finance staff become more experienced in Integration Joint Board finance.
- 4 The key controls within the main financial systems of both partner bodies operated effectively in the year.

Financial sustainability

- 5 Dundee City Integration Joint Board concluded 2016/17 with an operating surplus of £4.963 million which is being held as a general reserve by the IJB.
- 6 Dundee City Integration Joint Board made good progress in 2016/17 to identify and implement savings plans to remain within budget. However more work is required in 2017/18 to achieve savings and this will be challenging given the financial position faced by partner organisations.
- 7 Dundee City Integration Joint Board's financial plans do not currently extend beyond one year. Robust longer term financial planning needs to be developed to support delivery of the Integration Joint Board's strategic objectives.

Governance and transparency

- 8 The Integration Joint Board has governance arrangements in place that support the scrutiny of decisions by the Board. These arrangements continue to be developed, particularly risk management and the agreement of precise operational responsibilities and delegation of functions of the Integration Joint Board, NHS Tayside and Dundee City Council.
- 9 There is evidence from a number of sources which demonstrates Dundee City Integration Joint Board's commitment to transparency, including holding all Board and Performance and Audit Committee meetings in public and the development of a Dundee City Integration Joint Board website.

Value for money

- 10** A summary version of the Integration Joint Board's annual performance report was published on 27 July 2017 to meet the IJB's legislative requirements on performance reporting. The full 2016/17 Annual Performance Report was approved for publication by the Board on 29 August 2017.
- 11** National reports on Health and Social Care Integration published by Audit Scotland are considered by the Performance and Audit Committee. Action plans have been developed to demonstrate how the Integration Joint Board is responding to the recommendations raised in the reports.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Dundee City Integration Joint Board (the 'IJB'). The report is divided into sections which reflect our public sector audit model.

2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Performance and Audit Committee. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- a review of the IJB's main financial systems and governance arrangements
- an audit of the IJB's 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions.

4. The IJB is responsible for preparing annual accounts that show a true and fair view and for establishing effective arrangements for governance which enable it to successfully deliver its objectives.

5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

6. These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual

governance statement. We also review and report on the arrangements within the IJB to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.

7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.

8. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation.

9. Communication in this report of matters arising from the audit of the annual accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11. This report is addressed to both the Integration Joint Board and the Accounts Commission and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

The financial statements of Dundee City Integration Joint Board for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.

We have issued an unqualified independent auditor's report on the integration joint board's Annual Accounts for 2016/17.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Performance and Audit Committee on 12 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the remuneration report, management commentary and the annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual accounts for audit

15. We received the unaudited financial statements by 30 June 2017, in line with our agreed audit timetable. The working papers provided with the unaudited financial statements were of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

16. Assurances were received from Dundee City Council and NHS Tayside on the operation of internal controls over the main financial systems used to provide information to the IJB for its financial statements.

Risks of material misstatement

17. [Appendix 2](#) provides a description of risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also included within the appendix are wider dimension risks, how we addressed these and our conclusions thereon.

The annual accounts are the principal means for the IJB to account for the stewardship of its resources and its performance in the use of those resources.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. On receipt of the annual report and accounts we reviewed our materiality calculations. The materiality levels set for the IJB are summarised in Exhibit 2.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of the delegated net expenditure budget for 2016/17.	£2.5 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of overall materiality.	£1.7 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality (rounded).	£25,000

Source: Audit Scotland

Evaluation of misstatements

20. There was one material misstatement which had an impact on the unaudited Annual Accounts and this is summarised at item 1 in Exhibit 3. The misstatement which resulted in an understatement of £6.291 million in both funding (taxation and non-specific grant income) and the total cost of services had no impact on the general fund balance. The misstatement exceeded our performance materiality level but is considered to be an isolated misstatement and required no further audit procedures to be undertaken. The IJB has adjusted for the misstatements in the accounts.

Significant findings

21. International Standard on Auditing (UK and Ireland) 260 requires us to communicate significant findings from the audit "to those charged with governance". Our findings are summarised at [exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan at [appendix 1](#) has been included.

Exhibit 3

Significant findings from the audit of the Annual Accounts

Issue	Resolution
<p>1. Integration funding misstatement</p> <p>The funding to the IJB disclosed in the Comprehensive Income and Expenditure Statement and note 6 to the financial statements as £257.494 million did not agree with the funding of £263.785 million approved by the Board on 27 June 2017.</p> <p>The working paper supporting the annual accounts was reviewed by finance and subsequently amended to reflect the approved funding to the IJB. This change also had an equal and opposite effect on the net expenditure across some of the IJB service areas where grant funding had been netted off. Overall there was no impact on the net expenditure.</p>	<p>Adjusted: The Chief Finance Officer agrees with our view and the taxation and non-specific grant income and total cost of services have been increased by £6.291 million. No further action required.</p>
<p>2. Hospital acute services (set aside)</p> <p>Partners agreed that hospital acute services would be managed by NHS Tayside with no in year financial consequences to the IJB. The 'set aside' budget is the IJB's share of the budget for delegated acute services provided by large hospitals on behalf of the IJB. Included within the total IJB expenditure of £258.821 million-is £21.059 million 'set aside' costs for hospital acute services.</p> <p>The budget and actual expenditure reported for the "set aside" are equal. The figure is based on 2014/15 activity levels for hospital inpatient and day case activity and provided by NHS National Services Scotland's Information Services Division.</p>	<p>The Comprehensive Income and Expenditure Statement in the Annual Accounts correctly incorporates the set aside costs.</p> <p>This is a transitional arrangement for 2016/17 agreed by Scottish Government. NHS Tayside and the IJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p> <p>Action Plan (Appendix 1, point 1).</p>
<p>3. Annual Governance Statement and Management Commentary – noncompliance with guidance and regulations</p> <p>A number of disclosures required by extant guidance and Regulations had not been fully presented in the Annual Governance Statement and Management Commentary. This required a number of amendments to these statements.</p>	<p>The annual accounts have been amended to include the appropriate disclosures.</p> <p>Action Plan (Appendix 1, point 2).</p>

Source: Dundee City IJB Annual Accounts 2016/17

Other findings

22. In accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management. These were adjusted and reflected in the audited annual accounts.

Part 2

Financial management



Main judgements

Dundee City IJB has a sound system in place to report on financial performance to members on a regular basis via the financial monitoring position report. Financial monitoring reporting is continuing to develop as finance staff become more experienced in IJB finance.

The key controls within the main financial systems of both partner bodies operated effectively in the year.

Financial management

23. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.

24. The Board is required by statute to make arrangements for the proper administration of its financial affairs and to appoint a "proper officer" to have "responsibility for the administration of those affairs" (section 95 of the Local Government (Scotland) Act 1973). For Dundee City Integration Joint Board that officer is the Chief Finance Officer.

25. The integration scheme between Dundee City Council and NHS Tayside sets out the budget contribution in respect of all of the functions delegated to the IJB. Delegated baseline budgets for 2016/17 were subject to due diligence.

26. The IJB does not have any assets, nor does it directly incur expenditure or employ staff. All expenditure relating to services delegated to the IJB is incurred by Dundee City Council or NHS Tayside and processed through their financial systems.

27. As auditors, we need to consider whether the IJB has established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the Chief Finance Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders

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

- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

28. The Chief Finance Officer is suitably qualified for the role and has appropriate status within the organisation. The governance documentation for the IJB is in the main comprehensive and up to date and published on the IJB's website.

29. The Board is responsible for scrutinising financial and operational performance and ensuring that prompt corrective actions are taken where appropriate. To discharge this duty it needs timely and comprehensive budget monitoring information, including projections of the year end position. From attendance at IJB meetings and review of Board and Performance and Audit Committee papers and minutes we have concluded that budget monitoring reports are provided regularly to members and members provide a good level of challenge on the reports.

Internal controls

30. Dundee City IJB relies on services provided by both NHS Tayside and Dundee City Council. The key financial systems within both Dundee City Council and NHS Tayside are used to employ and pay staff and services and to record transactions on behalf of the IJB.

31. In accordance with ISA 402: Audit considerations relating to an entity using a service organisation, as part of our audit we sought and obtained assurances from the external auditors of Dundee City Council and NHS Tayside. The assurances confirmed there were no material weaknesses in those systems of internal control within the Council and the NHS board that are of relevance to the IJB.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

32. The staff who provide services on behalf of the IJB remain employees of Dundee City Council and NHS Tayside and as such they are bound by the employee and corporate codes of conduct that exist in these organisations. Management have confirmed that they are not aware of any cases of fraud or corruption that relate to the provision of IJB services. We are also not aware of any specific issues that we need to record in this report.

Part 3

Financial sustainability



Main judgements

Dundee City IJB concluded 2016/17 with an operating surplus of £4.963 million which is being held as a general reserve by the IJB.

Dundee City IJB made good progress in 2016/17 to identify and implement savings plans to remain within budget. However more work is required in 2017/18 to achieve savings and this will be challenging given the financial position faced by partner organisations.

Dundee City IJB's financial plans do not currently extend beyond one year. Robust longer term financial planning needs to be developed to support delivery of the IJB's strategic objectives.

Financial performance in 2016/17

33. The integration scheme and financial regulations set out the arrangements between Dundee City Council and NHS Tayside for addressing and financing any overspends or underspends. Underspends may be returned to the relevant partner in year, through a contribution adjustment, or retained by the IJB in general reserves. Where there is a forecast overspend, a risk sharing agreement is in place whereby the partner incurring the overspend meets the cost of the overspend.

34. The IJB set a breakeven budget for 2016/17. This was based on expenditure of £248.864 million, with £79.377 million contributed by Dundee City Council and £169.487 million by NHS Tayside. The £169.487 million included £10.107 million of integration funding which was provided by the Scottish Government for onward transmission to Dundee City IJB.

35. The IJB budget was subsequently increased by £14.920 million during the year to £263.784 million. The increase was due to additional funding of £4.690 million from Dundee City Council for additional central support costs and £10.230 million from NHS Tayside (including £4.979 million for transfer of the hosted services budgets for Angus and Perth & Kinross and £3.462 million for overspends on prescribing and hosted services).

36. An underspend of £4.963 million is reported in the financial statements for 2016/17, as noted in exhibit 4. £1.032 million related to social care services provided through Dundee City Council and £3.931 million related to an underspend on the 'ring fenced' integration funding. The IJB agreed to earmark the £3.931 million for ring-fenced integration projects and £0.400 million for Transformation projects. The remaining £0.632 million will be carried forward as a general contingency to cushion the impact of unexpected events or emergencies.

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.

Exhibit 4

Actual outturn against budget 2016/17

	Original Budget £m	Additional Funding £m	Actual Outturn £m
Funding from NHS Tayside	169.487	10.230	179.717
Funding from Dundee City Council	79.377	4.690	84.067
Total Funding	248.864	14.920	263.784
Net Expenditure			258.821
Surplus (retained by the IJB)			4.963
Earmarked Reserves			4.331

Source: 2016/17 Dundee City IJB audited accounts.

Financial planning

37. The IJB allocates the resources it receives from Dundee City Council and NHS Tayside in line with the Strategic Plan. The Financial Plan (2017/18 Budget) for 2017/2018 was approved by the Joint Board on 23 March 2017.

38. Financial projections for 2017/18 predict a breakeven position in the year, although both Dundee City Council and to a greater extent NHS Tayside, face challenges balancing their respective budgets. Proposed efficiency savings have been identified and ways in which these savings can be made have been outlined to the Board.

39. Although a breakeven position is projected, the IJB has assessed the 2017/18 financial position as high risk, due to a forecast overspend of £1.126 million against the £32.878 million GP prescribing budget. Consequently the Board has again approved the adoption of the risk sharing agreement as set out in the Integration Scheme which means for 2017/18 the responsibility for meeting any prescribing budget shortfall at the end of the financial year will sit with NHS Tayside.

40. The current budget process does not include medium to long term financial planning. One of the challenges for the IJB is the short term financial planning cycle of the Scottish Government and the resulting difficulty in preparing medium/longer term funding strategies to address its priorities. While this is an obstacle to precise financial planning, management should prepare a 3-5 year rolling budget using what information is available and incorporating sensitivity analysis and scenario planning. In the absence of medium to long term financial planning the future financial risks facing the IJB may not be clearly understood.

Recommendation 3

The IJB should develop a robust medium to long term financial planning framework, in conjunction with its partners, to support delivery of its Strategic Plan.

Reserves strategy

41. Dundee City IJB has a reserves policy that allows it to carry reserves of up to 2% of net expenditure. The policy was approved by the Board in April 2017. The current reserve levels are within the limit of the policy.

Efficiency savings

42. Funding shortfalls were identified in the IJB's 2017/18 budget. As a result, the IJB has proposed a range of efficiency savings to achieve financial balance. Plans to achieve efficiency savings of £5.565 million were approved by the Board in March 2017.

43. These efficiency savings comprise of £4.425 million on directly managed operational services identified through the IJB's Transformation Programme and £1.140 million through NHS Tayside's Transformation Programme which impacts on delegated services to the IJB and therefore have been adopted as part of the IJB's overall savings plan for 2017/18.

44. There is a risk that initiatives within the transformation programmes will not be developed and delivered at a scale and pace required to meet the financial efficiency targets of the IJB. Progress on the achievement of the efficiency savings is monitored by the IJB's Transformation Delivery Group, an officer led group which reports to the Performance and Audit Committee and the Board.

Part 4

Governance and transparency



Main judgements

The IJB has governance arrangements in place that support the scrutiny of decisions by the Board. These arrangements continue to be developed particularly risk management and the agreement of precise operational responsibilities and delegation of functions of the IJB, Tayside NHS Board and the Council.

There is evidence from a number of sources which demonstrates Dundee City IJB's commitment to transparency, including holding all Board and Performance and Audit Committee meetings in public and the development of a Dundee City IJB website.

Governance arrangements

45. The integration scheme between Dundee City Council and NHS Tayside sets out the governance arrangements. The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements. The IJB's governance arrangements and procedures are regulated by a set of procedural documents including a Scheme of Delegation; Standing Orders; Terms of Reference; and Financial Regulations.

46. The Board is responsible for the strategic commissioning of health and social care services in Dundee City and is supported by a Performance and Audit Committee. The first meeting of the Performance and Audit Committee took place in January 2017. The Board is also supported by a number of groups, including the Strategic Planning Group and the Clinical, Care and Professional Governance Forum. A Transformation Programme Delivery Group has also been established to monitor the implementation of the transformation programme and will meet for the first time in September 2017.

47. The Board is responsible for setting priorities and policies in the context of legislative requirements and has an obligation to report, explain and be answerable for its decisions. It comprises a wide range of service users and partners including 3 elected councillors nominated by Dundee City Council and 3 non executive directors nominated by NHS Tayside.

48. The Board is supported by a Chief Officer who provides overall strategic and operational advice to the Board and is directly accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of Dundee City Council and the Chief Executive of NHS Tayside and provides regular reports to both the Council and the board of NHS Tayside.

49. The Board and Performance and Audit Committee meet on a regular basis throughout the year. We attend meetings of the Board, mainly as observers. We

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.

also attend the Performance and Audit Committee, frequently as contributors. The Performance and Audit Committee meets in public and delivers a good standard of scrutiny.

50. Internal Audit, in their Annual Internal Audit Report 2016/17, concluded that reliance can be placed on the IJB's governance arrangements and systems of internal control. The report, considered by the Performance and Audit Committee at its July 2017, also highlighted further developments in place or planned for 2017/18 including: an integrated operational risk register to support the corporate risk register and operational continuity plans; work on further clarification of on large hospital services and set aside budget; work on the sufficiency of corporate support to support the achievement of the Strategic Plan; and further development of the Annual Performance Report.

51. Internal Audit also highlighted further recommendations for improvement including:

- further work is required on both a Tayside and Dundee basis to update the Memorandum of Understanding for Hosted Services agreed in February 2016, to take into account of the differing governance arrangements emerging amongst the IJBs, as well as to develop performance reporting for hosted services and sharing information across the partnerships.
- formal written agreement should be in place setting out the precise operational responsibilities of the IJB, Tayside NHS Board and the Council and the exact nature of the delegation of functions to the IJBs. These should flow through to risk management and assurance arrangements. These arrangements, including the risk management strategy and risk management reporting arrangements should be reviewed.

52. Management agreed to develop an action plan in response to the finding and recommendations in the report. The action plan will be developed and submitted to the Performance and Audit Committee at the September 2017 meeting for their approval.

53. As part of our 2017/18 audit we will consider and monitor progress with the implementation of this action plan.

Internal audit

54. Internal audit provides members and management with independent assurance on risk management, internal control and corporate governance processes.

55. The internal audit function is carried out by FTF Audit and Management Services, supported by the internal audit section within Dundee City Council. We carried out a review of the adequacy of the internal audit function and concluded that it generally operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

56. To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed no formal reliance on internal audit for our financial statements work, however we have considered internal audit report findings as part of our wider dimension work.

57. The 2016/17 internal audit plan noted reviews covering: due diligence; workforce which included a review of corporate support functions; and clinical, care and professional governance. Internal audit plan to present these 2016/17 reports to the Performance and Audit Committee in November 2017.

58. The delivery of the 2016/17 internal audit plan has slipped. Although it can be normal for there to be adjustments to internal audit plans, and this is exacerbated

by the emergent nature of IJBs as well as the fact that the governance frameworks in which these pieces of work sit are not yet clear, it is important that the delivery of planned outputs is kept under review. This is important to ensure the IJB is provided with timely information on the appropriateness of its current and developing arrangements.

Recommendation 4

Delivery of the internal audit plan should be kept under review to ensure reports are delivered in a timely manner

Transparency

59. Transparency is concerned with the public, in particular local residents, having access to understandable, relevant and timely information about how Dundee City IJB is taking decisions and how it is using resources.

60. There is evidence from a number of sources which demonstrates Dundee City IJB's commitment to transparency, including holding all Board and Performance and Audit Committee meetings in public.

61. Dundee City IJB website holds useful information for the public, including details of Board members, a copy of the integration scheme and information on performance, as well as Board agendas, papers and minutes. Plans are in place to include the Performance and Audit Committee papers on the website also. Delays have been experienced in this process due to constraints in administration resource.

Other governance arrangements

62. In March 2017 the Scottish Public Services Ombudsman (SPSO) issued guidance and a template to help Integrated Joint Boards develop an appropriate complaints handling procedure.

63. The Board approved the implementation of new complaint procedures, based on the SPSO guidance its April 2017 meeting. It also approved that three monthly complaint performance reports will be submitted to the Performance and Audit Committee. The first report will be presented to the September meeting of the Performance and Audit Committee.

Part 5

Value for money



Main judgements

A summary version of the annual performance report was published by 31 July 2017 to meet the IJB's legislative requirements on performance reporting. The full 2016/17 Annual Performance Report was approved for publication by the Board on 29 August 2017.

National reports relating to Health and Social Care Integration published by Audit Scotland are considered by the Performance and Audit Committee.

Performance management

64. The Board needs to demonstrate how it aims to achieve value for money in providing services. To facilitate this, the IJB should have effective arrangements for scrutinising performance, monitoring progress towards strategic objectives and holding partners to account.

65. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the IJB set out the requirement for effective performance management arrangements, both operationally and financially.

66. The Strategic Plan identifies eight strategic priorities. These are:

- health Inequalities – which includes shifting resources to invest in health inequalities
- early intervention/prevention – which includes investing in or redirecting existing resources to scale up well evidenced, early intervention and prevention approaches
- person centred care and support – which includes restructuring financial planning to support the further development of self directed support
- carers - investing more in the health and wellbeing of carers
- localities and engaging with communities – which will include investing in infrastructure to support the development of locality planning and allocating resources to implement locality plans
- building capacity – including investing in third sector and community developments that build community capacity

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

- models of support/pathways of care – which includes investing in tests of change/remodelling of services which are designed to improve capacity and flow between large hospitals and the community
- managing our resources effectively – which includes investing in co-located, integrated models of care and support aligned to localities.

67. It is important that performance is regularly measured and monitored to demonstrate how the IJB is performing against its strategic objectives.

68. The IJB has a performance framework in place which incorporates quarterly reporting to the Performance and Audit Committee. The quarterly performance reports provide information on the IJB's performance ranked against national indicators over time at a Dundee City level and split by locality. The intention is to have an outward approach for benchmarking performance against national data within a clinical and care governance perspective in the areas that need to focus to improve outcomes for individuals and communities in the future which would assist in the deployment of resources.

69. The Performance and Audit Committee performance report for quarter 3 (October – December 2016) was not available for the March 2017 meeting and was instead presented to the July 2017 meeting, along with the quarter 4 (January to March 2017). The IJB has recognised the timing of reports as an issue and has plans in place for 2017/18 to ensure a quarterly performance report is presented at each Performance and Audit Committee meeting.

70. The Public Bodies (Joint Working) (Scotland) Act 2014 requires an annual performance report to be completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan. The Board's eight strategic priorities link to the nine National Health and Wellbeing Outcomes.

71. The IJB did not fully meet the requirement to publish its full annual performance report by 31 July 2017 due to difficulties around the availability of data. To mitigate against this a summary version of the annual performance report was approved by the Performance and Audit Committee and published on 27 July 2017. The full version of the 2016/17 annual performance report was approved by the Board on 29 August 2017. The report assesses the performance of Dundee City IJB in relation to national health and wellbeing outcomes, reporting by localities in addition to the IJB as a whole.

72. The summary and full version of the annual performance report provided information on the IJB's achievements; feedback received; a summary of the outcome of inspections; performance against the national priorities; and information on complaints.

73. The performance report shows that the IJB is performing well against the local and national outcomes. However the performance against the: 'emergency admission rate (per 100,000 people aged 18+)'; 'readmission to acute hospital within 28 days of discharge (per 1,000 population)'; and 'falls rate per 1,000 population aged 65+' figures have deteriorated slightly for Dundee as a whole. The IJB has highlighted a number of initiatives that it is hoped will improve these areas.

74. The summary and final annual performance report contained financial information. The final performance report also contained information on the IJB's use of resources and how the IJB considers it is demonstrating its commitment to achieving best value. In part this is through the development of the IJBs transformation programme and work undertaken to redesign services and ongoing plans to reshape services. The success of the IJBs transformation programme going forward will be critical to it delivering its outcomes.

75. Although the IJB has developed a range of different mechanisms to scrutinise the performance and quality of services over the last year, it recognises that there is further work to be done during 2017/18 to embed self-evaluation, quality assurance, performance monitoring and clinical care and professional governance in its locality planning and service delivery arrangements.

Recommendation 5

An action plan should be prepared to deliver the improvements identified for the performance management framework. The action plan should be monitored by the Performance and Audit Committee.

National performance audit reports

76. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 3](#) accompanying this report.

77. The Performance and Audit Committee has considered national Health and Social Care Integration reports that have been published by Audit Scotland and members receive updates on progress made on recommendations contained in these reports. Other national reports may be of interest to members, but there is no formal mechanism to ensure that members have the opportunity to consider other relevant national reports.

Recommendation 6

A process should be introduced to ensure all relevant Audit Scotland reports are considered by members.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
10	<p>1. Hospital acute services (set aside)</p> <p>Included within the total IJB expenditure of £258.821 million is £21.059 million 'set aside' costs for hospital acute services.</p> <p>The figure is, essentially an estimate, based on 2014/2015 activity levels for hospital inpatient and day case activity and provided by NHS National Services Scotland's Information Services Division.</p> <p>Risk</p> <p>In future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p>	<p>NHS Tayside and the IJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p>	<p>Action: Work is progressing locally and nationally to determine the most appropriate methodology for calculating and monitoring the value of the Large Hospital Set Aside.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Action by: March 2018</p>
10	<p>2. Annual Governance Statement and Management Commentary: non-compliance with guidance and regulations</p> <p>A number of disclosures required by extant guidance and Regulations had not been presented appropriately in the Annual Governance Statement and Management Commentary in the draft annual accounts.</p> <p>Risk</p> <p>The annual accounts may not comply with current guidance and Regulations.</p>	<p>The IJB should ensure that there is a process in place to ensure that the requirements of existing guidance and Regulations are met.</p>	<p>Action: The Management Commentary and Annual Governance have been amended to ensure compliance with guidance and Regulations.</p> <p>Any further requirements will be reflected in future years.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Action by: June 2018</p>



Page no.	Issue/risk	Recommendation	Agreed management action/timing
15	<p>3. Financial Planning</p> <p>The IJB has financial projections for 2017/18 but financial planning does not currently extend beyond one year.</p> <p>Risk</p> <p>The IJB does not have robust financial plans to support the delivery of its longer term objectives.</p>	<p>The IJB should develop a robust medium to long term financial planning framework, in conjunction with its partners, to support delivery of its Strategic Plan.</p>	<p>Action: We will develop longer term financial planning in partnership with Dundee City Council and NHS Tayside as part of 2018/19 revenue budget setting process and beyond.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Action by: March 2018</p>
18	<p>4. Delivery of internal audit plan</p> <p>The delivery of the 2016/17 internal audit plan has slipped, with the remaining planned outputs to be delivered to the November 2017 Performance and Audit Committee.</p> <p>Risk</p> <p>The IJB is not provided with timely information on the appropriateness of its current and developing governance arrangements.</p>	<p>Delivery of the internal audit plan should be kept under review to ensure reports are delivered in a timely manner.</p>	<p>Action: Monitoring of the Internal Audit Plan to become a standing item on the Performance and Audit Committee agenda.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Action by: November 2017</p>
21	<p>5. Performance management improvements</p> <p>Although the IJB has developed a range of different mechanisms to scrutinise the performance and quality of services over the last year, it recognises that there is further work to be done during 2017/18.</p> <p>Risk:</p> <p>The IJB may not be fully effective in assessing its performance in delivering services.</p>	<p>An action plan should be prepared to deliver the improvements identified for the performance management framework. The action plan should be monitored by the Performance and Audit Committee.</p>	<p>Action: Work is progressing to assess required improvements and service capacity to inform the development of an action plan. This will be completed by the end of the calendar year for presentation to the Integrated Strategic Planning Group and Performance and Audit Committee, including recommendations around monitoring processes.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Action by: December 2017</p>
21	<p>6. Audit Scotland national reports</p> <p>The IJB can be commended</p>	<p>The Chief Finance Officer should develop a system to allow for the consideration of</p>	<p>Action: National performance reports to become a standing item on the Dundee Health</p>



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

for considering and acting on Audit Scotland national reports on Health and Social Care Integration. Audit Scotland produces a number of other national reports that, whilst they do not relate specifically to the IJB, contain information that could be relevant to the IJB. There is no formal mechanism to ensure members have the opportunity to consider these reports.

Risk

Members may not be fully aware of emerging national issues in the public sector that may impact on their ability to deliver services locally.

relevant national performance reports and to report the main findings to members as appropriate.

and Social Care Partnership's Senior Management Team meeting agenda to consider appropriate reporting and information sharing forum.

Responsible officer: Chief Officer

Action by: September 2017

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit.</p>	<p>Detailed testing of journal entries.</p> <p>Service auditor assurances will be obtained from the auditors of Dundee City Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>Audit procedures were undertaken at the year end to ensure the figures in the accounts are accurate.</p> <p>No issues were identified as part of the year end audit regarding management override of controls.</p>
<p>2 Risk of Fraud over Expenditure</p> <p>The expenditure of the IJB is processed through the financial systems of Dundee City Council and NHS Tayside. There is a risk that non IJB related expenditure is incorrectly coded to IJB account codes..</p>	<p>Obtain assurances from the auditors of Dundee City Council and NHS Tayside over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</p>	<p>Assurances have been obtained from the Dundee City Council and NHS Tayside auditors.</p> <p>No issues identified in either of the assurances.</p>
<p>3 Financial Statements timescales</p> <p>NHS Tayside will be required to have financial information from the IJB available to it in sufficient time to allow incorporation into its group financial statements. Without proper planning there is a risk that the requisite information is not provided by the IJB</p>	<p>Engage with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is understood.</p> <p>Formal assurances will be obtained from the auditors of Dundee City Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>Assurances have been obtained from the Dundee City Council and NHS Tayside auditors over the completeness, accuracy and allocation of the income and expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>within the timescales required for NHS Tayside to meet its statutory sign-off deadline of 30 June 2017.</p>		
<p>4 Preparation of financial statements</p> <p>Preparation of the IJB financial statements relies on the provision of financial and non-financial information from the systems of the two partner bodies. The Chief Finance Officer of the IJB must obtain assurance that the costs transferred to the accounts of the IJB are complete and accurate and incurred on behalf of the IJB for services prescribed in the integration scheme. There is a risk that the Chief Finance Officer does not obtain adequate assurance that information received from each party is accurate and complete.</p> <p>In addition the 2016/17 Code of Practice on Local Authority Accounting (the Code) introduces changes to the presentation of the financial statements including changes to the requirements of the annual governance statement to provide additional disclosures.</p>	<p>Review of the governance statement to ensure it adequately reflects the position of the IJB and compliance with the Code.</p> <p>Confirm appropriate action is taken on issues raised in internal audit reports.</p> <p>Confirm that financial reporting throughout the year is accurately reflected in the year end position.</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</p> <p>Obtain formal assurances from the auditors of Dundee City Council and NHS Tayside.</p>	<p>The audit process identified some areas for improvement in the Annual Governance Statement which were incorporated into the final version of the statement. It reflected the position of the IJB and included consideration of issues raised in the annual internal audit report.</p> <p>Audit procedures undertaken at the year end on the completeness of figures.</p> <p>No issues arising from the audit of the financial statements.</p>

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

<p>5 Financial sustainability</p> <p>NHS Tayside and Dundee City Council face significant financial pressures from funding reductions and increasing costs. There is a risk that the IJB in partnership with NHS Tayside and Dundee City council may not be able to identify sustainable savings measures or meet cost pressures as they arise. As at December 2016, the IJB has a projected overspend of £2.3 million, mainly arising from an NHS Tayside related cost of prescribing and consequently,</p>	<p>Review of ongoing budget monitoring to ensure it accurately reflects the position of the IJB.</p> <p>Review recovery plans or remedial action taken to address areas of budget pressure / projected overspends.</p> <p>Review reserves policy.</p>	<p>Underspend of £4.963 million in year retained in reserves. The Board's reserves policy fully sets out the circumstances in which reserves can be created, and the governance arrangements around their use.</p> <p>To achieve financial balance in 2017/18, efficiency savings of £5.565 million have been built into the IJB's 2017/18 budget. We will continue to monitor the achievement of savings targets as part of the audit process.</p>
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















Audit risk	Assurance procedure	Results and conclusions
<p>the IJB has triggered the risk sharing agreement contained in the Integration Scheme.</p>		
<p>6 Governance and assurance arrangements</p> <p>The January 2017 Performance and Audit Committee received an update on the actions from the 2015/16 Annual Internal Audit Report. The update showed that progress had been made in a number of areas. However it also noted that further action was needed including further action by the IJB and all parties around developing and clarifying all governance arrangements, including: risk management, assurance and accountability arrangements; developing the scheme of delegation; and fraud reporting arrangements.</p> <p>There is a risk of a lack of clarity in the arrangements which could lead to decision making being undermined.</p>	<p>Monitor developments in this area.</p> <p>Review of the 2016/17 Annual Internal Audit Report.</p>	<p>Arrangements not yet fully developed - noted as an area for development in the 2016/17 Annual Internal Audit Report. This is an important area that has not been progressed quickly enough.</p>
<p>7 Corporate Support</p> <p>Dundee City Council and NHS Tayside may not be able to provide the IJB with sufficient corporate support, including support to further develop its: performance framework; transformation programme and integrated (rather than aligned) budget for 2017/18. Insufficient corporate support could prevent the IJB from delivering on its strategic aims.</p>	<p>Consider the results of the work undertaken by internal audit.</p> <p>Monitor the IJBs development of its performance framework; transformation programme; and integrated budget.</p>	<p>Internal Audit plan to submit the report to the November 2017 Performance and Audit Committee.</p>
<p>8 Transparency</p> <p>In order to ensure transparency, information about the nature of the IJB, its performance and governance should be readily accessible to the public. Dundee City IJB currently does not have its own website. Some committee and board papers and key documents are available on the Dundee City website.</p> <p>There is a risk that information on the governance and performance of the IJB is</p>	<p>Review the development of public reporting and other IJB information available to the public.</p>	<p>The IJB has made good progress and now has its own website. We note that there have been some delays in loading information including the papers for the Performance and Audit Committee. This is due to constraints in administration resource.</p>

Audit risk	Assurance procedure	Results and conclusions
inaccessible to stakeholders.		

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

National reports relevant to the Board

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#) – October 2016

[Local Government in Scotland: Financial overview 2015/16](#) – November 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

[Local Government in Scotland: Performance and Challenges 2017](#) – March 2017

[Self-directed support: 2017 progress report](#) – August 2017

Dundee City Integration Joint Board

Proposed 2016/17 Annual Audit Report

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