



REPORT TO: PERFORMANCE AND AUDIT COMMITTEE - 25 SEPTEMBER 2018

REPORT ON: AUDIT SCOTLAND ANNUAL REPORT AND DUNDEE INTEGRATION JOINT BOARD AUDITED ACCOUNTS 2017/18

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: PAC52-2018

1.0 PURPOSE OF REPORT

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 2018 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:

- 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 23-28 of the report, and in particular that Audit Scotland have indicated they will issue an unqualified audit opinion on the IJB's 2017/18 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 2019;
- 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 2018.

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 2017/18 were presented and approved by the IJB at its meeting on 27 June 2018 (Report DIJB28-2018). The IJB is required to prepare financial statements for the financial year ending 31 March 2018 following the Code of Practice on Local Authority Accounting in the United Kingdom ("the 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 2017/18 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 2018. It describes the scope of audit work undertaken during 2017/18 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 2017/18 have been:

- an audit of the IJB's 2017/18 annual accounts including the issue of an independent auditor's report setting out their opinions;
- obtaining auditor assurances from the auditors of NHS Tayside and Dundee City Council;
- consideration of the four audit dimensions.

- 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 2017/18 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 2017/18.

4.3 Significant Findings from the audit of the Annual Accounts

- 4.3.1 As part of the audit of the 2017/18 annual accounts the following areas were noted and adjustments to the accounts made accordingly where relevant:

- The unaudited financial statements misrepresented the financial position for the year as a £0.029 million surplus when £0.432 million of reserves had been used to fund services. Changes have now been made to reflect the correct financial performance for the year. The IJB is now reporting a deficit of £0.403 million which has been funded from its general reserve.
- The IJB did not advertise the accounts in accordance with the timetable in the statutory regulations (the accounts were published on the website 3 days later than required).

4.4 Key Messages Arising from the External Audit Report

- 4.4.1 Audit Scotland have noted a number of judgements in relation to the audit dimensions as set out in Parts 2 and 3 of their report. Under Financial management and sustainability, they have noted elements of uncertainty over the IJB's financial position given the reliance in 2018/19 on non-recurring savings and use of reserves to fund the budget gap for the year and the relatively low residual uncommitted general reserve. In addition, it notes there is currently no medium to long term financial plan in place. While recognising there are adequate financial monitoring arrangements in place, recommended improvements to combine performance, budget reporting and final outturn reporting have been made. In relation to Governance, transparency and value for money, Audit Scotland recognised the arrangements in place to support scrutiny and

governance by the IJB and the commitment to transparency, while noting the overall performance through measurement of the national indicators. Audit Scotland have noted there is no reporting to the IJB on arrangements in place to demonstrate services are delivering Best Value.

4.5 Action Plan

- 4.4.1 Audit Scotland's 2017/18 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.

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 2018/19 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

Risk 1 Description	There is a risk that failure to progress the Audit Scotland recommendations may weaken the IJB's governance arrangements and result in a negative future years audit opinion
Risk Category	Financial / Governance
Inherent Risk Level	Likelihood 2 x Impact 4 = Risk Scoring 8 (which is High Risk Level)
Mitigating Actions (including timescales and resources)	The development and implementation of the action plan as set out in Appendix 1 to the Audit Scotland Report by the timescales as stated will reduce the risk
Residual Risk Level	Likelihood 2 x Impact 3 = Risk Scoring 6 (which is a Moderate Risk Level)
Planned Risk Level	Likelihood 2 x Impact 3 = Risk Scoring 6 (which is a Moderate Risk Level)
Approval recommendation	Given the nature of the risks, these are deemed to be acceptable

7.0 CONSULTATIONS

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

8.0 DIRECTIONS

The Integration Joint Board requires a mechanism to action its strategic commissioning plans and this is provided for in sections 26 to 28 of the Public Bodies (Joint Working)(Scotland) Act 2014. This mechanism takes the form of binding directions from the Integration Joint Board to one or both of Dundee City Council and NHS Tayside.

Direction Required to Dundee City Council, NHS Tayside or Both	Direction to:	
	1. No Direction Required	✓
	2. Dundee City Council	
	3. NHS Tayside	
	4. Dundee City Council and NHS Tayside	

9.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 21 September 2018

4th Floor
102 West Port
Edinburgh EH3 9DN

4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

1st Floor, Room F03
The Green House
Beechwood Business Park North
Inverness
IV2 3BL

T: 0131 625 1500
E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk



Performance and Audit Committee

20 September 2018

Dundee City Integration Joint Board Audit of 2017/18 annual accounts

Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 25 September 2018 (the proposed report is attached at **Appendix A**).

Annual audit report

2. Under International Standards on Auditing in the UK, we 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 present for the Performance and Audit Committee's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also 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.
6. We have no unadjusted misstatements to be corrected.

Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Chief Finance Officer on aspects of the annual accounts, including the judgements and estimates made.
8. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

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

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 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income & Expenditure Statement, Movement in Reserves Statement, 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of Dundee City Integration Joint Board as at 31 March 2018 and of its income and expenditure 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 2017/18 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Dundee City Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Chief Finance Officer and Performance and Audit Committee 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.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing Dundee City Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Performance and Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit 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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

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, the audited part of the Remuneration Report, 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, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited 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 audited 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, Audit Director
 Audit Scotland
 4th Floor
 8 Nelson Mandela Place
 Glasgow
 G2 1BT
 25 September 2018

APPENDIX B: Letter of Representation (ISA 580)

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

Dear Fiona

Dundee City Integration Joint Board Annual Accounts 2017/18

1. This representation letter is provided in connection with your audit of the annual accounts of Dundee City Integration Joint Board for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Performance and Audit Committee, the following representations given to you in connection with your audit of Dundee City Integration Joint Board's annual accounts for the year ended 31 March 2018.

General

3. Dundee City Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Dundee City Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Dundee City Integration Joint Board at 31 March 2018 and the transactions for 2017/18.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Dundee City Integration Joint Board's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Dundee City Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Dundee City Integration Joint Board's ability to continue as a going concern.

Liabilities

10. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
11. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

12. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

13. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

14. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all the Dundee City Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

15. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

16. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

17. I confirm that the Dundee City Integration Joint Board has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
18. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

Balance Sheet

19. All events subsequent to 31 March 2018 for which the 2017/18 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Dave Berry
Chief Finance Officer

Dundee City Integration Joint Board

2017/18 Proposed Annual Audit Report

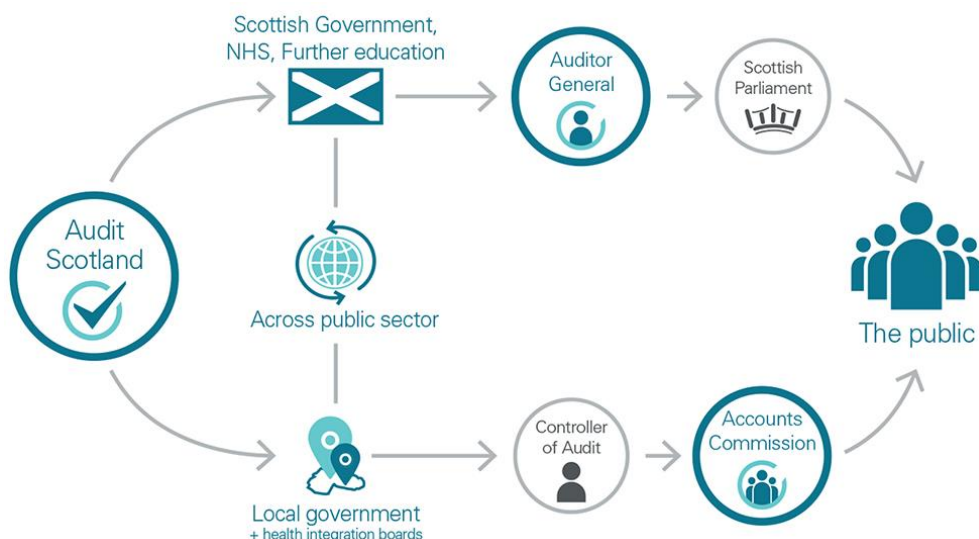


Prepared for the Dundee City Integration Joint Board and the Controller of Audit
25 September 2018

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.

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Key messages

2017/18 annual report and accounts

- 1 Dundee City Integration Joint Board's financial statements give a true and fair view and were properly prepared.
- 2 The management commentary, remuneration report and annual governance statement are consistent with the financial statements and prepared in accordance with applicable guidance.
- 3 The unaudited financial statements misrepresented the financial position for the year as a £0.029 million surplus when £0.432 million of reserves had been used to fund services. Changes have now been made to reflect the correct financial performance for the year. The IJB is now reporting a deficit of £0.403 million which has been funded from its general reserve.
- 4 The IJB did not advertise the accounts in accordance with the timetable in the statutory regulations

Financial management and sustainability

- 5 There remains an element of uncertainty over the IJB's financial position. The planned service redesign initiatives for 2018/19 will not be sufficient to balance the budget. The IJB plans to fund the budget gap of £4.787 million through use of £2.337 million of its general reserve and £2.450 million of savings. Of the savings, £1.150 million are classified as medium risk and £1.375 million are non-recurring.
- 6 The IJB's uncommitted general reserve is low at £0.230 million (0.09% of its net expenditure). The IJB's reserve policy allows a reserve balance of up to 2%. This indicates that the IJB may not be financially sustainable beyond the short term.
- 7 The IJB has yet to develop medium to long term financial plans to demonstrate how it will fund services in the future.
- 8 Once the budget is agreed, the IJB has adequate budget monitoring arrangements in place. However, improvements could be made by combining performance and budget reporting and final outturn reporting.

Governance, transparency and value for money

- 9 The IJB has governance arrangements in place that support the scrutiny of decisions by the Board.
- 10 There is evidence from a number of sources which demonstrates the IJB's commitment to transparency, including holding all Board and Performance and Audit Committee meetings in public and the existence of the IJB's own website.
- 11 A summary version of the IJB's annual performance report was published in July 2018 to meet the IJB's legislative requirements on performance reporting. The full 2017/18 Annual Performance Report was approved for publication by the Board in August 2018.
- 12 Overall, performance against national performance indicators has deteriorated against the Dundee 2015/16 baseline, although comparison with the national position has improved. Inspectorate reports on care establishments have been positive.

- 13** An inspectorate review of adult support and protection in Dundee's multi-agency partnership assessed performance in key areas as weak - adequate.
- 14** While there is evidence of elements of Best Value being demonstrated by the IJB, there is no reporting to the the Board on the arrangements in place to demonstrate services are delivering Best Value.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Dundee City Integration Joint Board, hereby referred to as 'the IJB'.

2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2018 meeting of the Performance and Audit Committee. This report comprises the findings from:

- an audit of the IJB's annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2017/18 have been:

- an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
- obtaining service auditor assurances from the auditors of NHS Tayside and Dundee City Council
- consideration of the four audit dimensions.

4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

5. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.
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.
9. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.
12. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
13. 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 2017/18 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, the audited part of the remuneration report, the management commentary and the annual governance statement.

The unaudited financial statements misrepresented the financial position for the year as a £0.029 million surplus when £0.432 million of reserves had been used to fund services. Changes have now been made to reflect the correct financial performance for the year. The IJB is now reporting a deficit of £0.403 million which has been funded from its general reserve.

The IJB did not advertise the accounts in accordance with the timetable in the statutory regulations.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2018 were approved by the Performance and Audit Committee on 25 September 2018. We reported within our independent auditor's report that in our opinion:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

15. Additionally, we have nothing to report in respect of the other information in the annual accounts, the adequacy of accounting records, and the information and explanations we received.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 29 June 2018 in line with our agreed audit timetable. The working papers provided were of an adequate standard.

Risks of material misstatement

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

The annual accounts are the principal means of accounting for the stewardship of the board's resources and its performance in the use of those resources.

Materiality

18. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

19. Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively, in forming our opinions on the financial statements.

20. On receipt of the annual report and accounts we reviewed our materiality calculations. Our final materiality levels are summarised at [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 has been set at 1% of gross expenditure for the year.	£2.622 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 60% of planning materiality	£1.416million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of a predetermined reporting threshold. This has been calculated at 2% of planning materiality.	£0.026 million

Source: Audit Scotland

Evaluation of misstatements

21. All misstatements identified during the audit, which exceeded our reporting threshold, have been amended in the financial statements.

22. We identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Significant findings


23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included

24. The findings include our views about significant qualitative aspects of the board's accounting practices including:

- | | |
|---|--|
| <ul style="list-style-type: none"> • Accounting policies • Significant financial statements disclosures • The impact on the financial statements of any uncertainties • Misstatements in the annual report and accounts | <ul style="list-style-type: none"> • Accounting estimates and judgements • Timing of transactions and the period in which they are recorded • The effect of any unusual transactions on the financial statements • Disagreement over any accounting treatment or financial statements disclosure |
|---|--|

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. (Surplus) or deficit on Provision of Services</p> <p>The unaudited financial statements misrepresented the financial position of the IJB for 2017/18. A surplus of £0.029 million was recorded in the Consolidated Income and Expenditure Statement (CIES). This incorrectly included an approved transfer from the general reserve of £0.432 million as funding contributions (from Dundee City Council).</p> <p>The transfer from the general reserve of £0.432 million has therefore been recognised by the IJB as income in 2017/18. However, this income has already been recognised in the 2016/17 financial statements and does not represent new income to the IJB. The £0.432 million income has therefore double counted through the CIES.</p> <p>Exclusion of this sum from the CIES changes the surplus of £0.029 million to a deficit of £0.403 million. This error has also been reflected in the Movement in Reserves Statement.</p>	<p>The audited financial statements have been amended. Income has been reduced by £0.432 million, resulting in a deficit of £0.403 million. The deficit of £0.403 million has been properly reflected in the Movement in Reserves Statement. The amendment has no impact on the general reserve balance.</p>
<p>2. Public Notice of Accounts: pre-audit inspection</p> <p>The IJB must give public notice of the right of interested persons to inspect and object to its accounts in accordance with The Local Authority Accounts (Scotland) Regulations 2014. This public notice must be given no later than 17 June immediately following the financial year to which the accounts relate.</p> <p>The public notice was published on the IJBs website on 20 June 2018, 3 days after the latest date allowable under the statutory regulations.</p>	<p>The IJB should ensure the 2018/19 public notice is on the website within the timeframe prescribed in the 2014 regulations.</p> <p> Recommendation 1 (refer appendix 1, action plan).</p>

Follow up of prior year recommendations

25. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#).

26. In total, 6 agreed actions were raised in 2016/17. Of these:

- 2 have been fully implemented
- 3 have only partly been actioned (1 of which awaits a national solution)
- 1 has not been actioned.

27. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements



There remains an element of uncertainty over the IJB's financial position. The planned service redesign initiatives for 2018/19 will not be sufficient to balance the budget. The IJB plans to fund the budget gap of £4.787 million through use of £2.337 million of its general reserve and £2.450 million of savings. Of the savings, £1.150 million are classified as medium risk and £1.375 million are non-recurring.

The IJB's uncommitted general reserve is low at £0.230 million (0.09% of its net expenditure). The IJB's reserve policy allows a reserve balance of up to 2%. This indicates that the IJB may not be financially sustainable beyond the short term.

The IJB has yet to develop medium to long term financial plans to demonstrate how it will fund services in the future.

Once the budget is agreed, the IJB has adequate budget monitoring arrangements in place. However improvements could be made by combining performance and budget reporting and final outturn reporting.

Financial management

28. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Financial 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
- 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.

29. The Chief Finance Officer is responsible for ensuring that appropriate financial services are available to the Board and the Chief Officer. He is suitably qualified for the role and has appropriate status within the organisation.

30. The Board is responsible for scrutinising financial and operational performance and ensuring that prompt corrective actions are taken where appropriate. To

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

discharge this duty, it needs timely and comprehensive budget monitoring information, including projections of the year end position.

31. The 2018/19 provisional budget was submitted to the Board in March 2018 but the budget was not approved until August 2018. This was due to the late approval by NHS Tayside of its own 2018/19 budget.



[Recommendation 2 \(refer appendix 1, action plan\)](#)

32. Budget monitoring reports are regularly reported to the Board from August (position as at June). Financial information is generally of good quality to facilitate scrutiny and challenge by members on the financial position of the IJB and from our attendance at Board meetings we have concluded that members provide a good level of challenge on the reports.

33. . There is some scope for improvement in the budget monitoring processes in relation to:

- reporting changes to net budgets. Changes to net budgets totalling £4.1 million (as at February 2018) have been made since the original approved budget, but there is no explanation for the changes in the reports.
- monitoring of the year end financial position. The latest monitoring position reported to members is as at February 2018. There is no monitoring information to advise of the final outturn against budget.



[Recommendation 3 \(refer appendix 1, action plan\)](#)

34. The opportunity for comprehensive scrutiny could be further enhanced by combining performance reporting with financial reporting. Currently, regular financial reporting and performance reporting are considered separately at meetings of the Board and Performance and Audit Committee respectively. Having embedded financial and performance reporting, the IJB should take the opportunity to combine these to ensure that members have clear sight of the impact of variances against budget in terms of service performance.



[Recommendation 4 \(refer appendix 1, action plan\)](#)

35. Although the IJB has adequate budget monitoring arrangements in place, improvements could be made by combining performance and budget reporting and final outturn reporting.

Financial performance in 2017/18

36. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the Board.

37. The IJB budgeted for a break even position for 2017/18, however an overspend of £0.403 million is reported in the financial statements for 2017/18, as noted in exhibit 4. The overspend is in the main a result of 2016/17 expenditure on social services that was not identified until after the 2016/17 financial statement had been approved. An overspend of £2.119 million was also incurred on NHS activities, mainly as a result of overspend on prescribing costs. An additional contribution of £2.119 million was made by NHS Tayside under the risk sharing agreement set out in the IJB's integration scheme.

38. The £0.403 million overspend was met from the IJB's general reserve.

Exhibit 4

Actual outturn against budget 2016/17

	Original Budget £m	Additional Funding £m	Actual Outturn £m
Funding from NHS Tayside	174.752	2.119	176.871
Funding from Dundee City Council	74.694	10.187	84.881
External Funding	249.446	12.306	261.752
Net Expenditure			262.155
Deficit funded from general reserve			(0.403)

Source: 2017/18 Dundee City IJB audited accounts.

Efficiency savings

39. The IJB is required to make efficiency savings to maintain financial balance. In 2017/18 the IJB planned to make efficiency savings of £5.0 million. However, budget monitoring reports presented to the Board do not provide details of the efficiency savings achieved for the year.

40. Based on the proposed settlement from Dundee City Council and NHS Tayside, the IJB anticipates a funding gap of £4.7 million for 2018/19. Further savings will be required to help achieve financial balance. Further details on the level of savings required is set out at paragraph 43 below. The ability of the IJB to achieve its savings target is dependent on the success of its own transformation programme and the transformation programmes of NHS Tayside and Dundee City Council to deliver on their related programmes.

41. Failure to achieve these savings may have serious implications to the delivery of core services for 2018/19 as there are little contingency reserves available. It is therefore crucial that the Board receive detailed updates on its transformation programme and associated efficiency savings on a regular basis. The financial sustainability of the IJB should be a core focus during 2018/19.



[Recommendation 5 \(refer appendix 1, action plan\)](#)

Financial Planning

42. The 2018/19 delegated budget allocation to the IJB was agreed at the August 2018 Board meeting at £232.3 million (including £4.8 million for hosted services). This sum included £73.5 million from Dundee City Council and £158.8 million from NHS Tayside. The amount from NHS Tayside excludes the set aside for acute hospital sites.

43. As part of the 2018/19 budget setting, a £4.787 million funding gap was identified. The Board were advised that the range of service redesign initiatives over 2018/19 will not be sufficient to balance the budget therefore the Board approved the use of £2.337 million of its general reserve. For the remaining £2.450 million gap, savings have been identified, of which £1.150 million are reported as medium risk. £1.375 million of the £2.450 million savings are non-recurring in nature.

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.

44. In our 2016/17 Annual Audit Report we highlighted the importance of a medium to long term financial plan to support longer term planning for the IJB. This was included as an action point in our report and the IJB agreed to develop this as part of its 2018/19 revenue budget setting process and beyond. However, a medium to long term financial plan has yet to be developed. The action point was to be implemented in 2017/18 but has been carried forward to 2018/19.



[Recommendation 6 \(refer appendix 1, action plan\)](#)

Reserves strategy

45. 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.

46. As a result of the deficit in 2017/18, the IJB's general reserve has fallen by £0.403 million to £4.560 million. The IJB has committed £4.330 million of its general reserve for integration and transformation purposes. This leaves an uncommitted reserve of £0.230 million carried forward.

47. This level of uncommitted reserves is 0.09% of the IJB's net expenditure, which is low compared to the IJB's policy of holding reserves up to 2%.

48. A report on the 2018/19 budget was submitted to the Board in August 2018 which included additional NHS Tayside funding of £1.971 million which had been held as committed funding from a range of historical change funds. This funding has been included in NHS Tayside's 2018/19 budget. After taking account of this additional funding and further commitment of the IJB's general reserve the projected uncommitted general reserve balance in 2018/19 is £0.826 million (0.36% of budgeted net expenditure).

49. The 2018/19 budget report submitted to the Board in March 2018 recognised that the low level of uncommitted reserves reduces the IJBs capacity to respond to emerging risks and cost pressures, and fund tests of change and transformation activities.



[Recommendation 7 \(refer appendix 1, action plan\)](#)

50. The use of general reserves to fund current services leads us to conclude that there is uncertainty over the financial sustainability of the IJB. The projected use of reserves to balance the 2018/19 budget puts at risk the pace of transformational change. This reinforces the need for the IJB to prepare longer term financial plans.

Workforce planning

51. Although the IJB does not directly employ staff, it is responsible for co-ordinating the delegated services detailed in the Integration Scheme and acknowledges that the vision and priorities within its Strategic Plan will only be achieved by the actions and behaviours of the integrated workforce.

52. The IJB has developed a Workforce and Organisational Development Strategy for integrated functions, in line with the requirements of its integration scheme. The Strategy sets out how support and development will be provided for and with the workforce in order to achieve the IJB's vision and priorities.

53. There is a significant risk to the IJB around its ability to develop and sustain the required workforce to deliver effective health and social care services given a profile of an ageing workforce, recruitment difficulties for particular professions such as nurses and competing demands within the traditional social care labour market through the projected growth in the hospitality sector in Dundee. The Workforce and Organisational Development Strategy has been developed to

ensure that the IJB recruits, develops and retains the right people, in the right place, at the right time to deliver positive outcomes for the people of Dundee.

54. Internal audit undertook a review of workforce planning and reported their findings in March 2018. The report classified the workforce planning arrangements as “adequate” and highlighted three key areas for improvement:

- regular reporting to the Board on progress towards implementing the Workforce and Organisational Development Strategy together with steps to ensure the Strategy’s culture is fully embedded in the organisation through the Locality Managers.
- the development of a formal Service Level Agreement (SLA) or similar formal agreement for key corporate support services to be provided to the IJB by Dundee City Council and NHS Tayside.
- the development of workforce plans for all areas of the IJB’s delegated responsibility.

55. An action plan was agreed with management to address these key areas, however due to a lack of resources progress has not been made as planned. Work on the action plan is ongoing.

Part 3

Governance, transparency and value for money



Main judgements

The IJB has governance arrangements in place that support the scrutiny of decisions by the Board.



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

A summary version of the IJB's annual performance report was published in July 2018 to meet the IJB's legislative requirements on performance reporting. The full 2017/18 Annual Performance Report was approved for publication by the Board in August 2018.

Overall, performance against national performance indicators has deteriorated against the Dundee 2015/16 baseline, although comparison with the national position has improved. Inspectorate reports on care establishments have been positive.

An inspection of adult support and protection in Dundee's multi-agency partnership assessed performance in key areas as weak - adequate.

While there is evidence of elements of Best Value being demonstrated by the IJB, there is no reporting to the the Board on the arrangements in place to demonstrate services are delivering Best Value.

Governance arrangements

56. The IJBs integration scheme sets out its 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 Standing Orders, a Scheme of Delegation and Financial Regulations.

57. The Board is responsible for the strategic commissioning of health and social care services in Dundee and for setting priorities and policies in the context of legislative requirements. It comprises 6 voting members and a wide range of service users and partners. The voting members consist of 3 elected councillors nominated by Dundee City Council and 3 non-executive directors nominated by NHS Tayside.

58. The Board is supported by the Performance and Audit Committee and a number of groups including the Clinical, Care and Professional Governance Framework, the Strategic Planning Group and the Transformation Programme Delivery Group. The Transformation Programme Delivery Group was established to monitor the implementation of the transformation efficiency programme.

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.

59. On the 14 September 2018 NHS Tayside announced that two of the nominated non-executive members of Tayside NHS Board had decided to step down from the Health Board and would be leaving over the next few weeks. This means that all three of NHS Tayside's voting member roles will be vacant on the Integration Joint Board, as one of the positions has already been vacant since June 2018.

60. The level of change in the voting membership from NHS Tayside on the Board presents a risk to the effectiveness of the governance and scrutiny arrangements whilst new members become familiar with the IJB. Induction training for new members will be crucial. There is also a risk that the Integration Joint Board may not be able to operate and make decisions if NHS Tayside is unable to fill the positions in the short term.

61. We reviewed minutes of the Board and the Performance and Audit Committee to ensure they are fulfilling their responsibilities. We also attend meetings of the Board and the Performance and Audit Committee and observe how they perform. We concluded that these meetings have been well attended and demonstrate an appropriate level of discussion and scrutiny.

62. The IJB's Chief Officer 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 sits on the management team at both organisations.

63. A number of improvements to the IJB's governance arrangements are reported in the 2017/18 Annual Governance Statement as carried forward including:

- risk and performance management for hosted services
- review of the local Code of Governance
- a review the governance arrangements and principles of working together between the IJB, the Council and NHS Tayside
- updating the IJB's participation and engagement strategy
- further delegation in relation to delegated services to the IJB

64. These have been delayed primarily due to resource capacity and the impact of other priorities across the wider partnership and are now planned to be taken forward in 2018/19.

65. The Care Inspectorate and Health Improvement Scotland carried out their first joint inspection into the effectiveness of strategic planning and commissioning of health and social care services for all adults in the Dundee City Partnership. Their findings were published in February 2018.

66. The inspection covered the leadership of the IJB and concluded that strong foundations are being laid down to support more integrated working. It also reported positive relationships between and across voting members and chief officers, with a shared undertaking to work together to achieve desired outcomes. Our observations at the Board and Committee meetings support this.

67. The arrangements in place continue to support good governance and accountability.

Transparency

68. Transparency means that the public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

69. There is evidence from a number of sources which demonstrate the IJB's commitment to transparency. All its meetings are held in public and full details of the meetings of the Board and the Performance and Audit Committee are available through the Dundee Health & Social Care Partnership [website](#), including Board/Committee papers and minutes of meetings.

70. We have identified some areas where the IJB could improve current arrangements including:

- minutes of meeting to reflect discussion as well as recording decisions taken
- publication of the IJB register of interests on the IJB's website. Publication of the register of interests would enhance the transparency of decision making in situations where members or senior officers have a personal interest on matters being discussed.



[Recommendation 8 \(refer appendix 1, action plan\)](#)

71. Overall, we concluded that the IJB conducts its business in an open and transparent manner but there are some areas where current arrangements could be improved.

Internal audit

72. Internal audit provides the Board and the Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

73. The Chief Internal Auditor of NHS Tayside's FTF Audit and Management Service (FTF) is also the Chief Internal Auditor for the IJB. He draws on dedicated resources for the IJB audit from both FTF and Dundee City Council's internal audit section. We carried out a review of the adequacy of the internal audit function and concluded that it generally operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has appropriate documentation standards and reporting procedures in place.

74. Following a recommendation in our 2016/17 Annual Audit Report on monitoring slippage in the internal audit programme, an internal audit progress report has become a standing agenda item at each Performance and Audit Committee meeting. The latest report in July 2018 noted that all 2016/17 audits had been concluded and reported. There continued to be some slippage on the 2017/18 programme.

75. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we placed no formal reliance on internal audit's work for our financial statements work.

76. We did, however, plan to consider the work of internal audit in the following areas for our wider dimension work:

- Workforce (2016/17 programme - reported in 2017/18)
- Clinical Care & Professional Governance (2016/17 programme - reported in 2017/18)
- Risk Management (2017/18 programme)
- Transformation & Service Redesign (2017/18 programme).

77. Internal audit's findings on Workforce is referenced at paragraph 54 of this report. The findings from the review of Clinical Care & Professional Governance was reported to the performance and Audit Committee in February 2018 and

concluded that there was an adequate and effective system of risk management, control and governance in this area.

78. The findings from the review of Risk Management are scheduled to be reported to the Performance and Audit Committee in September 2018 and Transformation & Service Redesign in November 2018. We shall consider the findings from these reviews in our 2018/19 audit.

79. Progress has been made during 2017/18 in the delivery of the internal audit plan, however, there continues to be some slippage in the completion of the 2017/18 plan. We will continue to monitor the delivery of the internal audit plan.

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

80. The IJB has its own Code of Conduct for Members which requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies.

81. Based on our review of these arrangements we concluded that the IJB has effective arrangements in place for the prevention and detection of corruption. We are not aware of any specific issues that we need to record in this report.

Cyber security

82. The Scottish Government issued a [*Public Sector Action Plan on Cyber Resilience*](#) in November 2017 and actively encouraged all public sector bodies to seek independent assurance of critical technical controls, which in their view was possible by obtaining Cyber Essentials or Cyber Essentials Plus accreditation.

83. This requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate. The IJB does not have any of its own systems so relies on the ICT arrangements in the partner bodies.

84. NHS Tayside has formed a group to work toward the cyber essentials plus certification required by the Scottish Government by the end of 2018. The Council obtained its Cyber Essentials accreditation in June 2018 and has yet to decide if it is applying for the Cyber Essentials Plus accreditation

General Data Protection Regulation

85. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. Superseding the Data Protection Act 1998, the regulation introduced new and significantly changed data protection concepts pertaining to the processing of personally identifiable information.

86. The Chief Finance Officer provided an update to the Board in April 2018 on the preparations being undertaken by the partner bodies NHS Tayside and Dundee City Council. The report also noted that discussions were ongoing between the Data Protection Officers at the partner bodies to identify a Data Protection Officer for the IJB.

87. Since April 2018, the Chief Internal Auditor, in his 2017/18 Annual Internal Audit Report recommended that management should give further consideration to GDPR. They noted that “it is not clear that, under its current configuration, the IJB itself owns the data it uses. There is a need for a wider discussion around information sharing, GDPR and ownership of information that clarifies responsibilities and accountabilities in this area; the Health and Social Care Integration governance principles also highlight the need for urgent clarification of these matters.”

88. Management agreed to incorporate this item into its Governance Action Plan which will be presented to the Performance and Audit Committee at its September

2018 meeting. We will monitor developments in this area as part of our 2018/19 audit.

Value for money and performance management

89. Local government bodies, including Integrated Joint Boards, have a statutory duty to make arrangements to secure Best Value, through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.

90. While there is evidence of elements of Best Value being demonstrated by the IJB, there is no mechanism for formal review. Mechanisms and reporting arrangements should be implemented to provide assurance to the Chief Officer and the Board that the IJB has arrangements in place to demonstrate that services are delivering Best Value.



[Recommendation 9 \(refer appendix 1, action plan\)](#)

91. The Performance and Audit Committee receives quarterly performance reports at appropriate intervals throughout the year. These reports are available on the IJBs website as part of the committee papers. The reports provide details of performance against the Scottish Governments nine National Health and Wellbeing outcomes and against the IJBs six high level service delivery areas (emergency admissions, emergency bed days, accident and emergency, delayed discharges, balance of care and end of life).

92. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. The IJB did not publish its formal Annual Performance Report until August in 2018 due to difficulties around the availability of data and the timing of meetings. Similarly to last year, a summary version of the annual performance report was considered by the Performance and Audit Committee at its meeting in July 2018.

93. We have reviewed the Annual Performance Report for 2017/18 and identified that it complies with the prescribed content set out in The Public Bodies (Joint Working) (Scotland) Act 2014 (Content of Performance Reports) (Scotland) Regulations 2014.

94. The annual performance report details the IJB's performance against the nine National Health and Wellbeing outcomes using 23 national indicators and a further 6 local indicators. The 2017/18 report shows data for 17 of the national indicators.

95. Comparison against Dundee's baseline performance in 2015/16 shows improvements in 5 areas, similar performance in 2 areas and worse performance in 10 areas. Good improvement in the national indicators included delayed discharges (national indicator 19), while worsening performance was reported in the emergency admission rate (national indicator 12) and readmission to acute hospital within 28 days (national indicator 14).

96. Although there is a general deterioration in performance since 2015/16 the IJB compares well nationally, with 10 indicators being better than the national results, 2 remaining the same and 5 deteriorating.

97. The Annual Performance Report includes information on financial performance on a locality basis and notes that the next step in 2018/19 is to expand the use of data to better understand how resources should be allocated taking into account a number of factors including health inequalities, demand on services and demographic projections.

98. Following scrutiny of the Annual Performance Report in August 2018, the Performance and Audit Committee requested additional analytical reports in areas

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

where performance was poor in order to obtain an improved understanding of underlying challenges and the development of more detailed improvement plans.

99. The Annual Performance Report also references statutory inspections of services delivered directly by the partnership. 12 inspections were concluded during the year, with the vast majority graded as very good and some as excellent.

100. In our 2016/17 annual audit report we reported that although the IJB had developed a range of different mechanisms to scrutinise the performance and quality of services, the IJB recognised that further work was required. An action plan containing 19 actions was prepared and action was scheduled to be complete by September 2018. There has been some slippage in the action plan and it is now scheduled for completion in March 2019.

101. We have concluded that there is good evidence to demonstrate the IJBs commitment to effective performance management and reporting, however some improvements are still required which are being taken forward in the IJB's performance management improvement plan.

National performance audit reports

102. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which are of direct interest to the Board as outlined in [Appendix 3](#).

103. The consideration of national reports was introduced as a standing item on the Senior Management Team (SMT) agenda, following our 2016/17 recommendation to consider a formal mechanism for considering the IJB's reporting of relevant reports to members. The format of the SMT meetings was subsequently changed however and there is no longer a visible mechanism for considering these reports. Further consideration should be given to how this process is formalised under the current arrangements.

Health and Social Care Integration performance audit

104. Audit Scotland, as part of a series of reports, has undertaken a national study to examine the impact of the integration of health and social care services. The report is due to be published in November 2018 and will reflect on leadership and collaboration, integrated finances and strategic planning.

Joint Inspection of Adult Support and Protection

105. The Care Inspectorate and Her Majesty's Inspectorate of Constabulary Scotland carried out a joint review of Adult Support and Protection in six partnerships and published their findings in July 2018. The Dundee City partnership was one of the Partnerships included in the review.

106. The report assessed the Partnership's performance in three areas. Performance was assessed as weak-adequate, as follows:

- Outcomes for adults at risk of harm: Adequate
- Key processes for adult support and protection: Weak
- Leadership for adult support and protection: Adequate

107. A report on the publication was submitted to the Board by Dundee City Council's Chief Social Worker in August 2018. Recommended actions from the review will be part of the Partnership's Transforming Public Protection Programme, which is supported by the Care Inspectorate. The Board instructed the Chief Finance Officer to submit a report detailing progress in this area to the Performance and Audit Committee by 31 December 2018.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Public Notice of Accounts</p> <p>The IJB must give public notice of the right of interested persons to inspect and object to its accounts in accordance with The Local Authority Accounts (Scotland) Regulations 2014. This public notice must be given no later than 17 June immediately following the financial year to which the accounts relate. The public notice was uploaded to the IJB's website on 20 June 2017, 3 days after the latest date allowable under the statutory regulations.</p> <p>Risk</p> <p>The IJB may be open to legal challenge if it does not comply with regulations.</p>	<p>The joint board should ensure the public notice is made available on the website within the timeframe allowable under the 2014 regulations.</p> <p>Paragraph 24</p>	<p>Agreed action: Ensure public notice uploaded to website by 17th June.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: By 17th June 2019.</p>
2	<p>Budget setting</p> <p>The 2018/19 provisional budget was submitted to the Board in March 2018 but the budget was not approved until August 2018. This was due to the late approval by NHS Tayside of its own 2018/19 budget. Much of the year will have passed before financial monitoring is capable of being undertaken.</p> <p>Risk</p> <p>Without an agreed budget, excessive costs may not be contained.</p>	<p>The IJB should liaise with its partner organisations to ensure an agreed budget is approved prior to the start of the year.</p> <p>Paragraph 31</p>	<p>Agreed action: Continue to work with partner bodies to align budget setting processes as far as practicable.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: March 2019.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p>Budget monitoring</p> <p>Some scope for improvement in the budget monitoring processes has been identified regarding providing explanation for changes to the approved budget and final out-turn monitoring. .</p> <p>Risk</p> <p>Members may not be sufficiently informed to effectively scrutinise the IJB's financial performance.</p>	<p>Budget monitoring processes should be amended to include:</p> <ul style="list-style-type: none"> • explanations within monitoring reports to members in relation to changes to the approved budget • monitoring reports on the final out-turn for the year. <p>Paragraph 33</p>	<p>Agreed action: Budget monitoring reports to be developed according to recommendation.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: December 2018.</p>
4	<p>Budget and performance monitoring arrangements</p> <p>Budget and performance monitoring arrangements are currently reported separately to the Board and Performance and Audit Committee which means that it can be challenging to link the impact of budget variances on service performance.</p> <p>Risk</p> <p>Members may not be fully sighted on the impact of budget variances on service performance.</p>	<p>The IJB should seek to combine financial and performance reporting to ensure that members have clear sight of the impact of variances against budget in terms of service performance.</p> <p>Paragraph 34</p>	<p>Agreed action: Explore options as recommended around ensuring combined financial and performance reporting is provided in a format which is useful to the reader.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: March 2019.</p>
5	<p>Transformation and efficiency savings</p> <p>Detailed updates on the IJB's transformation programme and associated efficiency savings are not reported to the Board on a regular basis.</p> <p>Risk</p> <p>Transformation and savings may not be delivered in accordance with decisions taken by the Board.</p>	<p>The IJB should develop a formal mechanism to demonstrate how transformation is being achieved and planned efficiency savings are being met.</p> <p>Paragraph 41</p>	<p>Agreed action: Transformation Delivery Group to determine appropriate reporting arrangements to the IJB.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: March 2019.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
6	<p>Medium to long term financial plans</p> <p>There are no medium to long term financial plans in place. Audit Scotland is encouraging organisations to develop medium and long term financial plans including IJBs.</p> <p>Risk</p> <p>The IJB may not be planning adequately over the medium to long term to manage or respond to significant financial risks.</p>	<p>We recommend that a long term financial strategy (5 years or more) supported by clear and detailed financial plans (3 years or more) is prepared. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).</p> <p>Paragraph 44</p>	<p>Agreed action: Will work with partner bodies to align longer term financial planning processes, incorporating assumptions around funding levels, inflation, growth and other factors and incorporate longer term financial plan as part of the IJB's budget setting process.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: 31st March 2019.</p>
7	<p>Reserve balances</p> <p>Level of uncommitted reserves at March 2018 is forecast to be £0.826 million. This level of reserves falls far short of the IJB's approved reserve policy.</p> <p>Risk</p> <p>A low level of uncommitted reserves reduces the IJBs capacity to respond to emerging risks and cost pressures and fund tests of change and transformation activities.</p>	<p>The IJB should review its reserves to ensure they are adequate.</p> <p>Paragraph 49</p>	<p>Agreed action: Reserves can only be generated through year end surpluses of funding. Ensure robust budgeting and financial monitoring processes in place to identify opportunities to enhance reserves position.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: 31st March 2019.</p>
8	<p>Transparency</p> <p>Some areas have been identified where the IJB could improve current arrangements for transparency. These include improved minute taking to reflect the discussions at meetings and publication of the register of interests of Board members and senior management on the IJB's website.</p> <p>Risk</p> <p>Decisions of the Board may not be transparent.</p>	<p>The IJB should:</p> <ul style="list-style-type: none"> • review its processes for minute taking. • Publish the register of interests covering Board members and senior management on the IJB's website. <p>Paragraph 70</p>	<p>Agreed action:</p> <ul style="list-style-type: none"> • Undertake a review of minute taking. • Register of interests developed and will be shown on the IJB's website. <p>Responsible officer: Clerk to the Board.</p> <p>Agreed date:</p> <ul style="list-style-type: none"> • Register of Interests – 31st October 2018. • Minute Taking review – 31st March 2019.
9	<p>Best Value</p> <p>While there is evidence of elements of Best Value being demonstrated by the IJB, there is no mechanism for formal</p>	<p>Mechanisms and reporting arrangements should be implemented to provide assurance to the Chief Officer and the Board that the IJB has arrangements in place to</p>	<p>Agreed action: Develop Best Value assurance process as recommended</p> <p>Responsible officer: Chief Finance Officer.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>review to provide assurance to the Chief Officer and the Board.</p> <p>Risk</p> <p>The IJB may not be able to demonstrate that it is meeting its best value obligations</p>	<p>demonstrate that services are delivering Best Value.</p> <p>Paragraph 90</p>	<p>Agreed date: 31st March 2019</p>

Follow up of prior year recommendations

PY1	<p>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>Partly actioned: work has continued throughout 2017/18 both locally and nationally to further develop the Large Hospital Set Aside methodology. Agreement has been reached across Tayside as to the methodology and calculation for 2017/18 based on activity levels provided nationally through Information Services Division (ISD) and local cost data which is reflected in the 2017/18 annual accounts.</p> <p>Further guidance is anticipated nationally to support the use of the Large Hospital Set Aside as a commissioning budget as intended within the legislation.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Revised date: December 2018</p>
PY2	<p>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>Fully implemented: The action agreed in 2016/17 has been fully implemented, however, going forward, there is scope for further improvement in the Management Commentary, including reporting in year financial performance (details of budget over and underspends).</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
PY3	<p>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>Not yet actioned: The focus for 2018/19 has been to develop a balanced budget position for the year. However, work is progressing to model the level of resources required to meet future demographic demand for services such as social care which will be incorporated into a longer term financial planning process.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Revised date: Carried forward as recommendation 6 above.</p>
PY4	<p>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>Fully implemented: an updated Internal Audit Plan Progress Report is presented to each Performance and Audit Committee. Although there has been an improvement in delivery of the plan, there remains an element of slippage. None of the slippage has impacted on our audit opinion.</p>
PY5	<p>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>Partly actioned: a report was presented to the Performance and Audit Committee outlining the detail of progress made with the IJB's performance management framework. The scheduled completion date for the action plan in the report was September 2018. There has been some slippage with the action plan and it is now scheduled for completion by March 2019.</p> <p>Responsible officer: Chief Finance Officer.</p> <p>Revised date: March 2019</p>
PY6	<p>Audit Scotland national reports</p> <p>The IJB can be commended for considering and acting on</p>	<p>The Chief Finance Officer should develop a system to allow for the consideration of relevant national performance reports and to report the main</p>	<p>Partially actioned: National reports were introduced as a standing item on the Senior Management Team (SMT) agenda following our 2016/17</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>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.</p> <p>Risk</p> <p>Members may not be fully aware of emerging national issues in the public sector that may impact on their ability to deliver services locally.</p>	<p>findings to members as appropriate.</p>	<p>recommendation. This was to consider the IJB's reporting of relevant reports to members. The format of the SMT meetings was subsequently changed however and there is no longer a visible mechanism for considering these reports. Further consideration should be given to how this process is formalised under the current arrangements</p> <p>Responsible officer: Chief Officer</p> <p>Revised date: December 2018</p>

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>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. This includes consideration of the risk of management override of controls.</p>	<p>In view of the nature of this risk, assurances from management are not appropriate.</p>	<p>Audit procedures were undertaken at the year end to ensure the figures in the accounts are accurate.</p> <p>Conclusion: No issues were identified as part of the year end audit regarding management override of controls.</p>
<p>2 Risk of fraud over income and expenditure</p> <p>ISA 240 includes an assumption on fraud over income. The Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure.</p> <p>The income and 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 income and expenditure is incorrectly coded to IJB account codes.</p>	<p>Robust budget monitoring.</p> <p>Assurances to be provided to the IJB by Dundee City Council and NHS Tayside on the completeness and accuracy of transactions coded to IJB account codes.</p>	<p>Assurances have been obtained from the Dundee City Council and NHS Tayside auditors.</p> <p>Conclusion: No issues identified in either of the assurances.</p>
<p>3 Hospital acute services (set aside)</p> <p>The “set aside” budget is the IJBs share of the budget for delegated acute services provided by large hospitals on behalf of the IJB.</p> <p>The budget and actual expenditure reported for the “set aside” were equal in 2016/17: the amount set aside,</p>	<p>The IJB has been working with NHS Tayside to agree an appropriate mechanism (Scottish Government guidance provided to NHS Directors of Finance on this matter on 21 February 2018).</p>	<p>We engaged with officers to ascertain whether a robust mechanism was developed to quantify the IJBs set aside income and expenditure.</p> <p>We monitored Scottish Government guidance on the treatment of set aside in the 2017/18 financial statements to establish whether the financial statements are compliant.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>was based on 2014/15 activity levels and provided by NHS National Services Scotland's Information Services Division.</p> <p>There is a risk that the income and expenditure of the IJB is misstated due to the lack of current activity information.</p>		<p>Conclusion: No issues were identified.</p>
<p>4 Annual Governance Statement and Management Commentary</p> <p>A number of disclosures required by extant guidance and Regulations had not been presented appropriately in the 2016/17 annual accounts. There is a risk that the accounts may not comply with current guidance and Regulations.</p>	<p>Officers will liaise with external audit to ensure requirements are met.</p>	<p>We reviewed the annual governance statement and management commentary against the requirements of relevant regulations and guidance.</p> <p>Conclusion: No issues were identified, although there is scope for further improvement with the Management Commentary.</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 with challenging funding levels and increasing costs. Associated with this the IJB has not been able to develop financial projections beyond one year which can undermine the delivery of longer term objectives.</p> <p>Latest 2017/18 financial results reported in February 2018 (as at 31 December 2017) project an overspend of £2.3 million, mainly arising from the NHS Tayside related prescribing budget. Recent budget data indicates that further cost pressures are also emerging within the Dundee City Council related budgets.</p> <p>There is a risk that the IJB in partnership with NHS Tayside and Dundee City Council may not be able to identify and deliver sustainable savings measures or meet cost pressures as they arise.</p>	<p>Strong working relationships between the council and the health board.</p> <p>Regular financial monitoring and reporting to the IJB.</p> <p>Integration Joint Board Transformation Programme and associated infrastructure established in response to the financial challenges.</p>	<p>The latest financial budget position notes that there is a funding gap of £5.0 million for 2018/19. This is to be funded from the use of the general reserve of £2.337 million and £2.663 million of savings.</p> <p>The uncommitted General Reserve balance will fall short of the IJB's reserve policy. We have also reported that the IJB has yet to develop medium to long term financial plans.</p> <p>Conclusion: We will continue to monitor the achievement of savings targets and the introduction of medium to long term financial plans as part of the audit process.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>6 Demonstrating the delivery of Best Value</p> <p>The statutory duty of Best Value applies to all public bodies in Scotland. There is a risk that, the IJB is unable to demonstrate that it is meeting its statutory duty to deliver Best Value.</p>	<p>Integration Joint Board Transformation Programme also aims to identify where best value is not being delivered.</p>	<p>We considered the IJB's arrangements for demonstrating Best value arrangements.</p> <p>Conclusion: We have recommended that mechanisms and reporting arrangements should be implemented to provide assurance to the Chief Officer and the Board that the IJB has arrangements in place to demonstrate that services are delivering Best Value. This has been included in Appendix 1, number 9.</p>

Appendix 3

Summary of national performance reports 2017/18

		 2017/18 Reports	
		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	 Scotland's colleges 2017
		Jul	 NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

Reports relevant to Integration Joint Boards

[*NHS workforce planning*](#) – July 2017

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

[*Equal pay in Scottish councils*](#) – September 2017

[*NHS in Scotland 2017*](#) – October 2017

[*Local government in Scotland: Financial overview 2016/17*](#) – November 2017

Dundee City Integration Joint Board

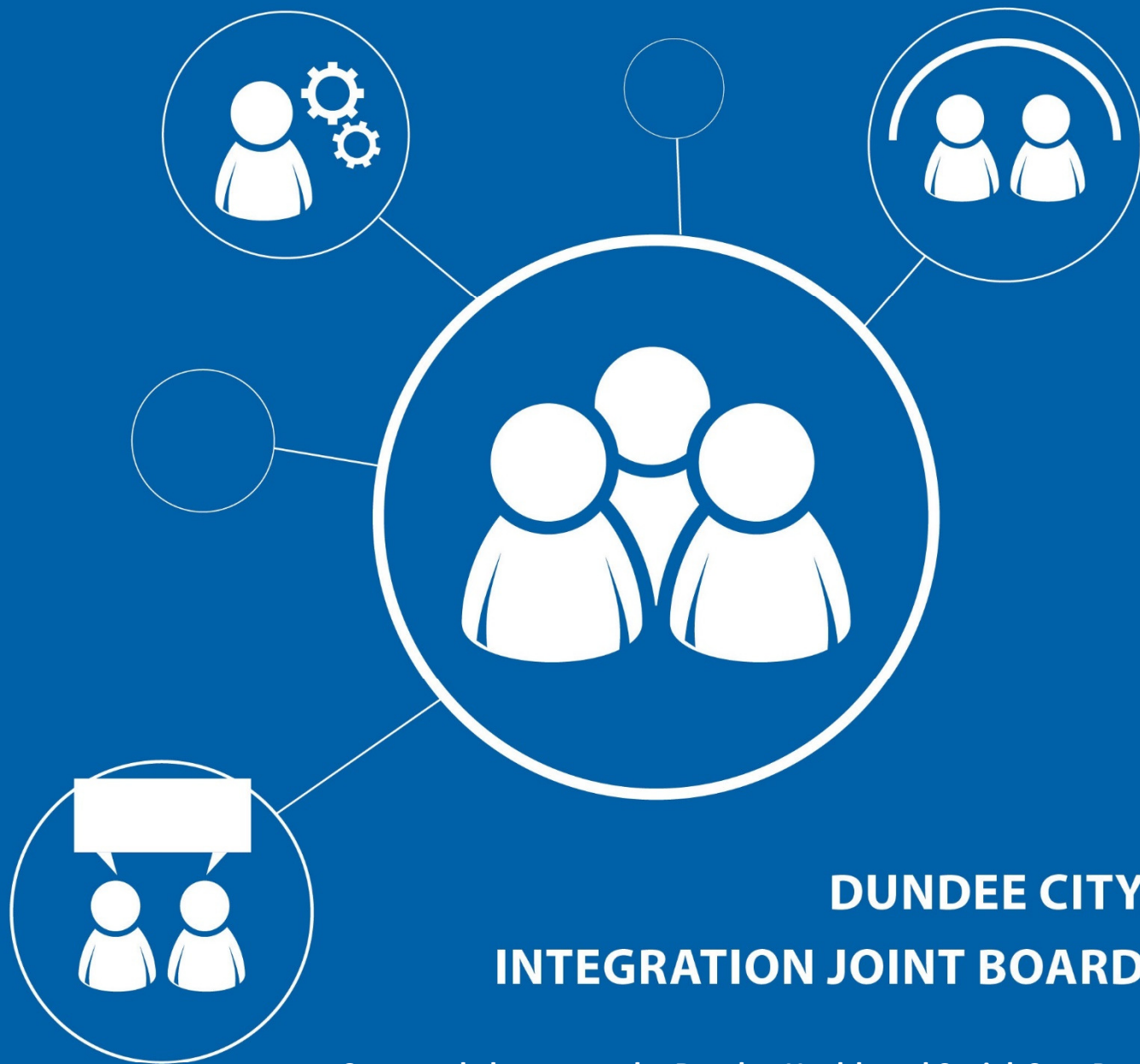
2017/18 Proposed Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
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**DUNDEE CITY
INTEGRATION JOINT BOARD**

Commonly known as the Dundee Health and Social Care Partnership

ANNUAL ACCOUNTS

2017-18

Audited

Dundee City Integration Joint Board
Annual Accounts 2017-18
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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 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 as a body corporate by virtue of the Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Amendment (No 3) Order 2015. The Integration Scheme was subsequently amended and approved by the Scottish Government with effect from 3rd April 2018 to take account of The Carers (Scotland) Act 2016.

Dundee City Integration Joint Board formally became responsible for the operational management and oversight of delegated health and social care functions with effect from 1 April 2016.

This publication contains the financial statements for Dundee City Integration Joint Board for the year ended 31 March 2018. 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.

Role and Remit of Dundee City Integration Joint Board

Dundee City Integration Joint Board (commonly known as Dundee Health and Social Care Partnership) has responsibility for providing defined health care and social care services for the residents of Dundee encompassing an area of 60 square kilometres and a population of 148,000. Like other parts of Scotland, Dundee is expected to see a significant rise in the number of older people with an increase of 45% in those over 75 anticipated over the next 20 years. Deprivation in Dundee is high with just over 29% of the population living in the 15% most deprived areas of Scotland. Overall Dundee is the third most deprived local authority area in Scotland, with only Glasgow and Inverclyde having higher deprivation. Dundee has the second lowest life expectancy in Scotland, with factors such as prevalence of substance misuse, mental health problems, smoking, and obesity all contributing to the reduced life expectancy. These factors highlight the scale of the challenges Dundee City Integration Joint Board faces over the coming years.

The voting membership of Dundee City Integration Joint Board is drawn from three elected members nominated by the Council and three non-executive members nominated by the Health Board.

The table below notes the membership of Dundee City Integration Joint Board in 2017/18:

Voting Members:

Role	Member
Nominated by Health Board	Doug Cross
Nominated by Health Board	Judith Golden
Nominated by Health Board	Munwar Hussain
Councillor Nominated by Dundee City Council	Councillor Ken Lynn
Councillor Nominated by Dundee City Council	Councillor David Bowes*
Councillor Nominated by Dundee City Council	Councillor Stewart Hunter**
Councillor Nominated by Dundee City Council	Bailie Helen Wright***
Councillor Nominated by Dundee City Council	Councillor Roisin Smith***

- Until 4 May 2017 **Until 22 May 2017 ***From 22 May 2017

Non-voting members:

Role	Member
Chief Social Work Officer	Jane Martin (Dundee City Council)
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	Frank Weber
Registered nurse who is employed by the Health Board	Sarah Dickie (NHS Tayside)
Registered medical practitioner employed by the Health Board and not providing primary medical services	Cesar Rodriguez (NHS Tayside)
Staff of the constituent authorities engaged in the provision of services provided under integration functions	Raymond Marshall (NHS Tayside Staff Side Representative) Jim McFarlane (Dundee City Council Trade Union Representative)
Director of Public Health	Drew Walker (NHS Tayside)
Third Sector Representative	Christine Lowden (Dundee Voluntary Action)
Service user residing in the area of the local authority	Andrew Jack (Public Partner, NHS Tayside)
Persons providing unpaid care in the area of the local authority	Martyn Sloan (Carer, Dundee Carers Centre)

The Chair of Dundee City Integration Joint Board rotates on a two yearly basis with the current arrangements due to change in October 2018. Councillor Ken Lynn is the current Chair with Doug Cross acting as Vice Chair. Dundee City Integration Joint Board is supported through the appointment of the Chief Officer, the Head of Finance and Strategic Planning (as Chief Finance Officer) and the Head of Health and Community Care who provide the strategic leadership and management of delegated operational services.

Operations for the Year

2017/18 represents the second full financial year of Dundee City Integration Joint Board (commonly known as Dundee Health and Social Care Partnership) being formally responsible for planning and delivering community based health and social care services. The development and delivery of these services is in line with the Integration Joint Board's Strategic and Commissioning Plan which sets out the context within which integrated services in Dundee operates and is shaped around the Health and Social Care Partnership's vision that "Each Citizen of Dundee will have access to the information and support that they need to live a fulfilled life." Dundee Integration Joint Board's Strategic and Commissioning Plan for 2016-2021 can be found at:

https://www.dundeehscp.com/sites/default/files/publications/dhscp_strategic_and_commissioning_plan_0.pdf

The Strategic & Commissioning Plan focusses on delivering on the following eight strategic priorities:



These priorities are consistent with and support the Scottish Government nine National Health and Wellbeing Outcomes which apply across all health and social care services. These are:

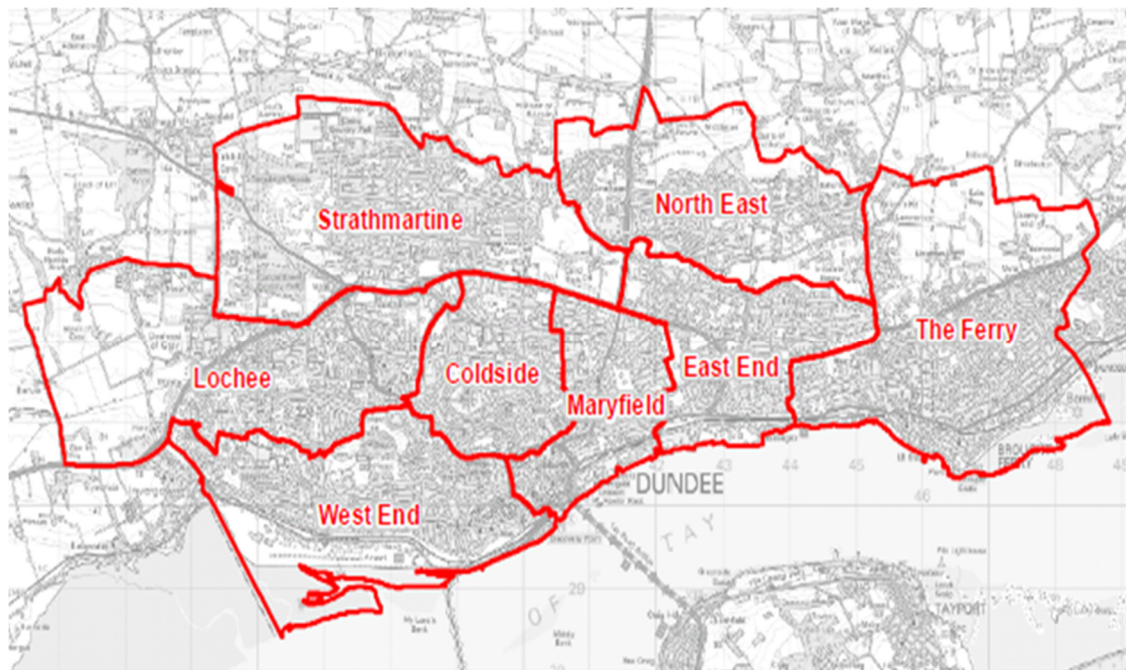
Table 1 National Outcomes

1. Healthier Living	People are able to look after and improve their own health and wellbeing and live in good health for longer
2. Independent Living	People, including those with disabilities, long term, conditions, or who are frail, are able to live as far as reasonably practicable, independently at home or in a homely setting in their community.
3. Positive Experiences and Outcomes	People who use health and social care services have positive experiences of those services and have their dignity respected.
4. Quality of Life	Health and social care services are centred on helping to maintain or improve the quality of life of service users. Everyone should receive the same quality of service no matter where they live.
5. Reduce Health Inequality	Health and social care services contribute to reducing health inequalities.
6. Carers are Supported	People who provide unpaid care are supported to look after their own health and wellbeing, and to reduce any negative impact of their caring role on their own health and wellbeing.
7. People are Safe	People who use health and social care services are safe from harm.
8. Engaged Workforce	People who work in health and social care services are supported to continuously improve the information, support, care and treatment they provide and feel engaged with the work they do.
9. Resources are used Efficiently and Effectively	Best Value is delivered and scarce resources are used effectively and efficiently in the provision of health and social care services.

Operational Delivery Model

During 2017/18, Dundee Health and Social Care Partnership continued to develop its operational delivery structure with a view to embedding a full locality based model of integrated health and social care services to support the delivery of the Integration Joint Board's strategic priorities. This structure is based around the eight Local Community Planning Partnership areas within the city as noted below.

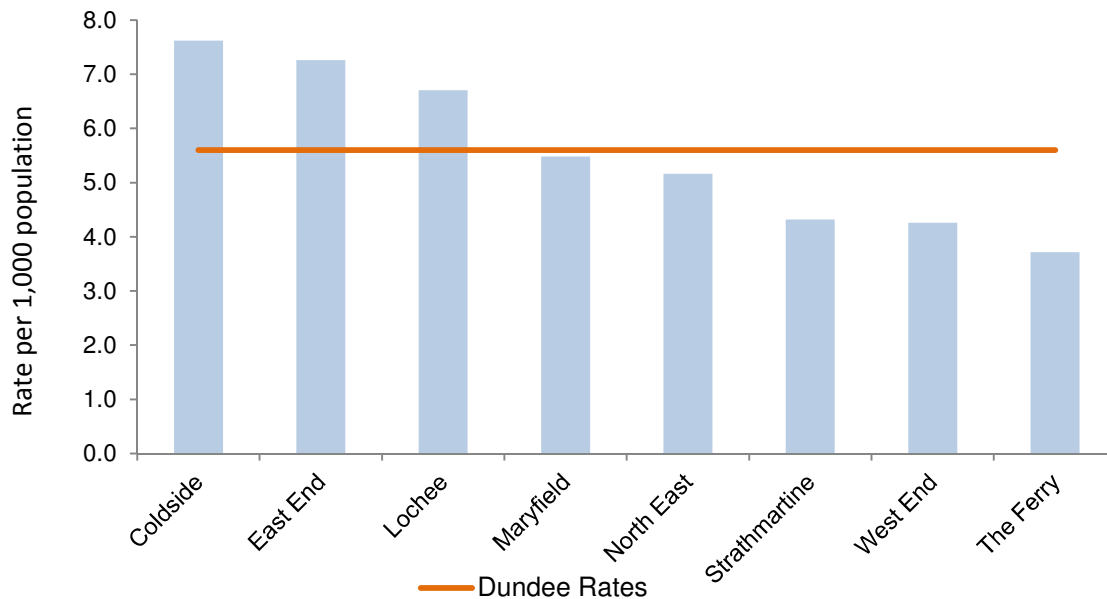
Map of Eight Local Community Planning Partnership Areas



Locality managers' portfolios currently include a combination of service specific responsibilities which are city wide (e.g. older people care at home, learning disabilities) as well as an overview of the needs of their locality areas as part of the transition to fully locality based integrated health and social care services.

One of the key challenges in delivering on the Integration Joint Board's Strategic Priorities and National Health and Wellbeing Outcomes is the high levels of inequalities which exist within the city with significant variances across locality areas, driven by high levels of deprivation and resultant impact on higher prevalence levels of health and multiple long term conditions. In addition to the frailty and ill health which is prevalent in the ageing population, many younger adults in Dundee are experiencing health conditions earlier in life as a result of deprivation and associated impact of substance misuse and mental health issues. In Dundee life expectancy is 77.6 years which is the second lowest in Scotland compared with an average of 79.1 years across the country. However the variance between localities within the city is considerable as highlighted in **chart 1** below. The combined effects of these are evidenced by the increased demand and usage of health and social care services in Dundee.

Chart 1 Premature Mortality Age Standardised Rates per 1,000 Population <75 in 2015



Source: NHS Tayside

The Integration Joint Board's developing response to these challenges over 2017/18 include the following locality focussed initiatives:

- Development of a locality approach to carers in Coldside and Strathmartine
- Roll out of the Macmillan Improving the Cancer Journey in Coldside and Lochee
- The whole system approach to supporting children and families in Lochee
- An East End Health and Wellbeing drop in initiative offering a free service with a focus on wellbeing information, activities and support.

Scrutiny and Performance

The Integration Joint Board's Performance and Audit Committee (PAC) provides the opportunity for committee members to better understand the needs of communities and to monitor and scrutinise performance of delegated services against delivering the strategic priorities through a range of performance indicators and benchmarking. Throughout 2017/18, the Integration Joint Board's Performance and Audit Committee received regular performance reports which quantified Dundee's health and social care challenges in relation to the baseline data against a range of performance indicators, designed to capture the progress made under integration over time. This includes nationally and locally set indicators, a number of which are reflected at locality level to assist the Integration Joint Board in determining the areas of greatest need and to inform the targeting of resources. Dundee's 2017/18 performance against a range of national indicators is noted in Table 2 below. This shows good progress is being made in relation to reducing emergency bed days, hospital readmissions and delayed discharges from hospital however challenges still remain in relation to emergency admissions to hospital, readmissions and falls. These have been subject to further in-depth scrutiny through the PAC. Further information regarding the performance of Dundee Integration Joint Board can be found at the Annual Performance Report:

https://www.dundeehscp.com/sites/default/files/publications/dhscp_annual_report_aug17.pdf

Table 2

National Indicator	Dundee 15/16 (Baseline Year)	Dundee 16/17	Dundee 17/18	Scotland 2017/18
Emergency admissions rate to hospital per 100,000 people aged 18+	12,154	12,411	12,790	11,959
Emergency bed days rate per 100,000 people aged 18+	142,407	136,059	131,673	115,518
Readmissions to acute hospital within 28 days of discharge rate per 1,000 population	121	125	123	97
Falls rate per 1,000 population aged 65+	25	26	28	22
Number of days people spend in hospital when they are ready to be discharged, per 1,000 population (Delayed Discharge bed days)	832	755	347	772

Transforming Services

Through the Integration Joint Board's Transformation Programme, a range of service redesign initiatives have been developed in line with the priorities in the strategic plan which have improved patient and service user pathways in order to reduce hospital admissions and shorten hospital stays, including undertaking early intervention and prevention approaches. One of the most significant shifts in service provision commissioned by the Integration Joint Board over 2017/18 has been to re-design and reduce the bed base at Royal Victoria Hospital and re-invest the resources released into a multi-disciplinary, Enhanced Community Support model of care while contributing to efficiency savings and reducing cost pressures. An example of the outcomes of such an approach is reflected below:

EARLY INTERVENTION AND PREVENTION

75 year old lady living in a care home with complex needs being admitted to hospital as a result of frequent diabetic attacks.

Through the collaborative work of the General Nurse and Review Officer within the team and in conjunction with care home staff, GP and Specialist Diabetes Nurse they were able to devise an appropriate management plan; provide care home staff with training as well as updating her anticipatory care plan that allowed the care home to better support the lady and prevent further hospital admissions.

Developments such as this have had a positive impact in improving performance in some indicators such as a reduction in delayed discharges for Dundee service users. However as noted in **Table 2** above there are a range of indicators where Dundee's position is among the lowest performing across Scotland.

The Integration Joint Board's Transformation Programme is key to the Integration Joint Board continuing to deliver change in the way in which health and social care services are provided and connects the overarching strategic priorities with service redesign opportunities. During 2017/18, a Transformation Delivery Group was established, consisting of a range of professionals, officers, the voluntary sector and staff side representation to provide oversight, governance and support to the delivery of the Transformation Programme. This group is also tasked with developing and bringing forward service change proposals to the Integration Joint Board for consideration. The challenge for the group is to be able to develop and sustain levels of change at scale and pace to meet the growing demographic needs with continuing financial restrictions.

A summary of the key achievements over 2017/18 is as follows:

- Achieving a further shift to locality working
- The redesign of Mental Health and Substance Misuse services
- Increased collaborative work with carers
- A continued focus on reducing health inequalities and expansion of services through additional Scottish Government funding for Community Link Workers and redesign of the health inequalities service
- New resources secured around employability
- Continued improved performance around delayed discharge.

Analysis of Financial Statements

The Annual Accounts report the financial performance of Dundee City Integration Joint Board. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to the Integration Joint Board for the delivery of its 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 2017/18 Accounts have been prepared in accordance with this Code.

Integration Joint Boards need to account for their spending and income in a way which complies with our legislative responsibilities and supplementary Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance.

The 2017/18 Annual Accounts comprise:-

- a) Comprehensive Income and Expenditure Statement – This statement shows that Dundee City Integration Joint Board made an overall deficit of £403k in 2017/18 (surplus of £4,963k in 2016/17). This overall deficit is funded through the Integration Joint Board's reserves.
- b) Movement in Reserves – Dundee City Integration Joint Board has year-end reserves of £4,560k (£4,963k in 2016/17). These are held in line with the Integration Joint Board's reserves policy.
- c) Balance Sheet – In terms of routine business Dundee City Integration Joint Board does not hold non-current assets.

- d) Notes - Comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.

The Annual Accounts for 2017/18 do not include a Cash Flow Statement as Dundee City Integration Joint Board does not hold any cash or cash equivalents.

Financial Position at the End of March 2018

The overall financial performance consists of an underlying deficit of £403k in Social Care budgets (surplus of £4,963k in 2016/17) and an underlying deficit of £2,119k in NHS budgets (£3,462k in 2016/17). The NHS position consisted of an overspend of £2,407k in prescribing, £448k net effect overspend in charges for hosted services, with an underspend of £533k on services directly managed by the Integration Joint Board and underspend of £203k in General Medical and Family Health Services. However in line with the risk sharing agreement agreed with NHS Tayside and Dundee City Council for the first two years of Dundee City Integration Joint Board, NHS Tayside devolved further non-recurring budget to the Integration Joint Board to balance income with expenditure.

The impact of the overall financial position for integrated services in Dundee for 2017/18 has resulted in the level of reserves held by Dundee City Integration Joint Board decreasing to £4.560m at the year ended 31 March 2018 (as against £4.963m at the year ended 31 March 2017). The deficit position is mainly due to additional expenditure of £431k charged to Dundee Integration Joint Board from Dundee City Council in relation to costs incurred on behalf of Dundee Integration Joint Board for 2016/17 which were identified during 2017/18. These were not considered material therefore do not require a prior year adjustment to be reflected in the accounts. An approved, planned draw down from reserves of £431k was made to cover these additional costs. This is reflected in the Movement in Reserves Statement. Without these additional costs, the underlying operational services financial performance would have been a small underspend of £28k for the year.

Of the reserves, £4.330m has been committed by the Integration Joint Board for integration and transformation purposes. The reserve balance at the year ended 31 March 2018 is £4.560m which is close to the level of reserve of 2% of the Integration Joint Board's net expenditure as set out within its reserves policy. However the uncommitted balance is £230k which represents 0.09%. Given the commitments noted above, the level of reserves are likely to remain short of the 2% during the 2018/19 financial year.

Key Risks and Uncertainties

Looking forward, the impact of Dundee's demographic growth with an increasingly frail population following evidence that Dundee citizens have poor health at an earlier age, the prevalence of disabilities and high numbers of people with substance misuse and mental health problems will continue to present risks that the availability of resources will not be able to meet that demand.

While service redesign and development will continue to provide opportunities to deliver services more effectively and efficiently with better outcomes for individuals, the continuing funding restrictions and cost pressures facing the Integration Joint Board will limit the ability to release and shift resources from traditional models of care (such as the Large Hospital Set Aside) for reinvestment. The impact of a flat cash budget settlement from Dundee City Council to Dundee City Integration Joint Board for 2018/19 and continued cost pressures around the GP Prescribing budget and In-Patient Mental Health services within the NHS delegated budget provide real risks that the Integration Joint Board will be unable to sustain current levels of activity in order to deliver a balanced budget.

The Integration Joint Board's budget efficiency plans for 2018/19 are reliant on a range of non-recurring interventions such as the use of uncommitted reserves to cover known expenditure pressures. There is a risk that the Integration Joint Board is unable to drive change at the scale and pace necessary to replace these with sustainable and recurring plans from 2019/20 onwards.

During 2017/18, the Integration Joint Board made a number of decisions around the use of its reserves in order to support transformational change through transition funding. The application of uncommitted reserves to balance the 2018/19 budget severely restricts the ability of the Integration Joint Board to support these in the future, or to meet unforeseen cost pressures.

The new GP Contract the Scottish Government has introduced from 2018/19 to develop a sustainable model of general practice, changes the demands and relationship between the NHS Board, Integration Joint Boards (as delegated services) and GP Practices. This will see the development of multi-disciplinary, community based support teams working in and around general practices to support areas previously the responsibility of GPs. To deliver this operational change new competencies and skills of the workforce would be required. However, there are challenges in that Dundee may not be able to recruit or develop the workforce to deliver all the expectations or create instability across other services as staff move to the new services.

There is a wider risk around the ability to develop and sustain the required workforce to deliver effective health and social care services given a profile of an ageing workforce, recruitment difficulties for particular professions such as nurses and competing demands within the traditional social care labour market through the projected growth in the hospitality sector in Dundee.

The impact of NHS Tayside's financial challenges in addition to recent leadership changes has created some uncertainty around the impact this will have on the Integration Joint Board over the coming year and beyond. However, through our Transformation Change Programme and the established Transformation Delivery Group we continue to review models of service delivery to ensure we remain fit for the future and be able to meet the needs of the citizens of Dundee.

Conclusion

We are pleased to present the annual accounts for the year ended 31 March 2018 for Dundee City Integration Joint Board as the second full operational year of the Integration Joint Board. The accounts show that Dundee City Integration Joint Board has delivered its operational services in line with financial expectations set out during the year through the financial monitoring process and has established a level of reserves to support its remodelling activities over the short term.

Going forward, Dundee Integration Joint Board has a significant financial challenge ahead to deliver the Strategic & Commissioning 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 co-ordinated services, building the resilience of people and their communities and reducing unnecessary hospital admissions and delayed discharges from hospital. This will require the confidence of professionals and the public, to further shift resources from intensive, high cost services to a focus on more preventative service provision to ensure best value for public funds.



Signed:

25 September 2018

Dave Berry CPFA
Chief Finance Officer
Dundee City
Integration Joint Board

David W Lynch
Chief Officer
Dundee City
Integration Joint Board

Councillor Ken Lynn
Chair
Dundee City
Integration Joint Board

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For this Board, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure 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.

I confirm that these Annual Accounts were approved for signature at a meeting of the Performance and Audit Committee on 25 September 2018.

Signed on behalf of the Dundee City Integration Joint Board

Councillor Ken Lynn
Chair
Dundee City Integration Joint Board

25 September 2018

STATEMENT OF RESPONSIBILITIES

Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of Dundee City Integration Joint Board's Annual Accounts in accordance with proper 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 Code of Practice").

In preparing the Annual Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with legislation
- complied with the local authority 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
- 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 Dundee City Integration Joint Board as at 31 March 2018 and the transactions for the year then ended.

Dave Berry CPFA
Chief Finance Officer
Dundee City Integration Joint Board

25 September 2018

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified Integration Joint Board members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

Remuneration: Integration Joint Board Chair and Vice Chair

The voting members of Dundee City Integration Joint Board are appointed through nomination by Dundee City Council and Tayside NHS Board. Nomination of the Integration Joint Board Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

Dundee City Integration Joint Board does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the Integration Joint Board. The Chair and Vice Chair are remunerated by their relevant Integration Joint Board partner organisation. Dundee City Integration Joint Board does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. No taxable expenses were paid to the Chair or Vice Chair of the Integration Joint Board in 2017/18.

Dundee City Integration Joint Board does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting Integration Joint Board members. Therefore no pension rights disclosures are provided for the Chair or Vice Chair.

Remuneration: Officers of Dundee City Integration Joint Board

Dundee City Integration Joint Board does not directly employ any staff in its own right, however specific post-holding officers are non-voting members of the Board.

Senior Employees

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the Integration Joint Board has to be appointed and the employing partner has to formally second the officer to the Integration Joint Board. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the Integration Joint Board. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below. The Chief Officer and Chief Finance Officer are both employed by Dundee City Council.

REMUNERATION REPORT

Total 2016/17 £	Post	Senior Employees	Salary, Fees & Allowances 2017/18 £
96,040	Chief Officer	David Lynch	99,956
67,023	Chief Finance Officer	Dave Berry	69,874
163,063		Total	169,830

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the Integration Joint Board balance sheet for the Chief Officer or any other officers.

Dundee City Integration Joint Board however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the Integration Joint Board. The following table shows the Integration Joint Board's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/17 £	For Year to 31/03/18 £		Difference from 31/03/17 £000	As at 31/03/18 £000
D Lynch	16,327	16,993	Pension	1	37
Chief Officer			Lump sum	(3)	96
D Berry	11,394	11,879	Pension	2	26
Chief Finance Officer			Lump sum	2	44
Total	27,721	28,872	Pension	3	63
			Lump Sum	(1)	140

Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

Number of Employees in Band 2016/ 17	Remuneration Band	Number of Employees in Band 2017/ 18
1	£65,000 - £69,999	1
1	£95,000 - £99,999	1
2	Total	2

Exit Packages

There were no exit packages payable during the financial year.

Councillor Ken Lynn
Chair
Dundee City Integration Joint Board

25 September 2018

David W Lynch
Chief Officer
Dundee City Integration Joint Board

25 September 2018

Introduction

The Annual Governance Statement explains Dundee City Integration Joint Board's governance arrangements and reports on the effectiveness of the Integration Joint Board's system of internal control.

Scope of Responsibility

Dundee City Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility, the Integration Joint Board has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the Integration Joint Board's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Dundee City Council systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the Integration Joint Board.

The system can only provide reasonable and not absolute assurance of effectiveness.



The Governance Framework and Internal Control System

Dundee City Integration Joint Board comprises six voting members, three nominated by Dundee City Council and three nominated by Tayside NHS Board, as well as non-voting members including a Chief Officer and Chief Finance Officer appointed by the Integration Joint Board. During 2017/18, the Integration Joint Board continued to develop and enhance its governance arrangements as it moved through its second year of being responsible for the strategic planning and operational delivery of integrated health and social care services. This included progressing areas highlighted as developments in the 2016/17 Annual Governance Statement.

The main features of the governance framework in existence during 2017/18 were:

- The Integration Scheme as the overarching agreement between the Integration Joint Board, NHS Tayside and Dundee City Council as to how the planning for and delivery of delegated health and social care services is to be achieved reflecting a range of governance arrangements required to support this arrangement.
- The senior leadership team consisting of the Chief Officer, Head of Finance and Strategic Planning (Chief Finance Officer) and Head of Health and Community Care. The Chief Finance Officer has overall responsibility for the Integration Joint Board's

financial arrangements and is professionally qualified and suitably experienced to lead the Integration Joint Board's finance function and to direct staff accordingly.

- Monthly meetings of the senior leadership team.
- Standing Orders, Financial Regulations and a Code of Conduct including the publication of Register of Member's Interests and the nomination of the Clerk to the Integration Joint Board as Standards Officer were all in place during 2017/18.
- The Integration Joint Board met on eight occasions throughout the year to consider its business.
- The Integration Joint Board's Performance and Audit Committee met on five occasions throughout the year to enhance scrutiny of the performance of the Integration Joint Board and audit arrangements in line with regulations and good governance standards in the public sector.
- Internal Audit arrangements for 2017/18 were approved including the appointment of the Chief Internal Auditor of FTF Internal Audit and Management Services to the role of Chief Internal Auditor of the Integration Joint Board supported by Dundee City Council's Internal Audit Service. An Internal Audit Plan for 2017/18 was approved drawing on resources from both organisations.
- The assurances provided from internal audit through their independent review work of the Integration Joint Board's internal control systems.
- The Clinical, Care and Professional Governance Framework continued to evolve as an action identified as an area of improvement from the 2016/17 annual governance statement through the leadership of the Dundee Health and Social Care Clinical, Care and Professional Governance Forum (R2). An Internal Audit Review found these arrangements as being broadly satisfactory.
- The Integrated Strategic Planning Group met on three occasions during the year.
- The establishment of the Transformation Delivery Group, consisting of senior leaders from the health and social care partnership, the voluntary sector, staff side representation and Dundee City Council and NHS Tayside transformation leads to provide oversight and governance to the developing range of service redesign and transformation projects.
- The Chief Finance Officer complied fully with the five principles of the role of the Chief Finance Officer, as set out in CIPFA guidance.

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2017/18 this included the following:

- The enhancement of risk management arrangements through the clear identification of risks in relation to Integration Joint Board decisions reflected in reports presented to the Integration Joint Board and Performance and Audit Committee, subsequently included within the High Level Risk Register with regular reviews provided to the Performance and Audit Committee as an area of improvement identified within the 2016/17 Annual Governance Statement.
- The approval and progressing of the Annual Internal Audit Plan.
- Continued development of the performance management framework with a range of performance reports published and scrutinised by the Performance and Audit Committee throughout the year, including more detailed reviews of specific areas of concern as requested by the committee.
- A process of formal regular reporting of financial performance and monitoring to the Integration Joint Board was in place throughout 2017/18.
- The provision of regular budget development reports for 2018/19 to the Integration Joint Board.

- The provision of an assurance report from the chair of the Performance and Audit Committee outlining the key issues raised at the previous Performance and Audit Committee meeting to the following Integration Joint Board meeting.
- In-year reporting on issues relating to Clinical, Care and Professional Governance in line with the overarching strategy: Getting It Right for Everyone – A Clinical, Care and Professional Governance Framework with no major issues reported.
- The development of a process for issuing directions to NHS Tayside and Dundee City Council reflected in Integration Joint Board reports during the year.
- Regular reporting to the Performance & Audit Committee of external scrutiny reports relating to delegated services from scrutiny bodies such as the Care Inspectorate and Mental Welfare Commission and supporting subsequent action plans.
- Development and reporting of the Integration Joint Board's Complaint's Handling Procedure.
- Assurances on the procedures, processes and systems of NHS Tayside and Dundee City Council.

Continuous Improvement

The following areas for improvement have been identified through the self-assessment process and Annual Internal Audit Report. Progress against these will be monitored by the Performance and Audit Committee during 2018/19. Some of these are outstanding from the 2016/17 continuous improvement plan (marked as *) and have primarily been delayed due to resource capacity and the impact of other priorities across the wider partnership with NHS Tayside and the other Tayside Integration Joint Boards.

Area for Improvement	Lead Officer	Planned Completion Date
2016/17 Actions Carried Forward		
Development of improved Hosted Services arrangements around risk and performance management for hosted services*	Chief Officer / Chief Finance Officer	December 2018
Further develop the Integration Joint Board's local Code of Governance*	Chief Officer / Chief Finance Officer	December 2018
Present the governance principles adopted by the Health and Social Care Integration Governance Working Group to the PAC to be taken forward by all parties (*Governance principles agreed in December 2017 by NHS Tayside Audit Committee however have yet to be presented to the local authority)	Chief Finance Officer	November 2018
Update the Integration Joint Board's Participation and Engagement Strategy*	Chief Officer / Chief Finance Officer	December 2018
Develop Scheme of further delegation in relation to delegated services to the Integration Joint Board*	Chief Officer / Chief Finance Officer	December 2018

2017/18 Areas for Improvement Identified		
Development of Large Hospital Set Aside arrangements in conjunction with the Scottish Government, NHS Tayside and Angus and Perth and Kinross Integration Joint Boards	Chief Officer / Chief Finance Officer	December 2018
Implementation of an action points update to each meeting of the IJB and PAC in addition to an annual workplan to be agreed for both meetings	Chief Officer / Chief Finance Officer	October 2018
Development of an overall Governance Action Plan to progress previous recommended areas for improvement	Chief Finance Officer	October 2018
Development of regular IJB and PAC member induction and development process	Chief Officer / Chief Finance Officer	December 2018
Development of multi-year financial plan as part of the review of the Strategic and Commissioning Plan	Chief Finance Officer	March 2019
Clarify responsibilities and accountabilities around the impact of General Data Protection Regulations (GDPR) legislation with partner bodies	Chief Finance Officer	October 2018
Update and enhance the IJB's Risk Management Strategy and further develop the IJB's operational risk register	Chief Finance Officer	December 2018

Dundee City Integration Joint Board complies in full with "The Role of the Head of Internal Audit in Public Organisations" (CIPFA) and operates in accordance with "Public Sector Internal Audit Standards" (CIPFA). The Head of Internal Audit reports directly to the Performance and Audit Committee with the right of access to the Chief Finance Officer, Chief Officer and Chair of the Performance and Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the Performance & Audit Committee.

Review of Adequacy and Effectiveness

Dundee City Integration Joint Board is required to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review is informed by the work of the Senior Management Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditors and the Chief Internal Auditor's annual report, and reports from external auditors and other review agencies and inspectorates.

The review of Dundee City Integration Joint Board's governance framework is supported by a process of self-assessment and assurance certification by the Chief Officer. The Chief Officer completes a "Self-assessment Checklist" as evidence of review of key areas of the Integration Joint Board's internal control framework. The Senior Management Team has input to this process through the Chief Finance Officer. There were no significant internal control issues identified by the self-assessment review.

In addition, the review of the effectiveness of the governance arrangements and systems of internal control within the Health Board and Local Authority partners places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control. Due to ongoing concerns during 2017/18, NHS Tayside has been subject to a number of internal (e.g. Internal Audit) and external (e.g. Scottish Government) commissioned reviews. These reviews have reported back to NHS Tayside and the Scottish Government with a series of actions set out to address identified weaknesses. These actions will be monitored locally by NHS Tayside's leadership team and through the Scottish Government. A number of the weaknesses identified may have an impact on the Integration Joint Board and its ability to deliver on its strategic objectives. In particular, the Integration Joint Board is supported by NHS Tayside in relation to financial management and strategic planning capacity, with both of these regarded as weaknesses in NHS Tayside's own review of governance. The Integration Joint Board will continue to work in partnership with NHS Tayside to mitigate the impact of these issues.

In preparing the Annual Governance Statement, the Integration Joint Board gave consideration to both NHS Tayside and Dundee City Council's Annual Governance Statements. We note that the NHS Tayside Chief Executive has stated in the NHS Tayside Governance Statement that he is unable to conclude that, taking into account the governance framework and the assurances and evidence received from the Board's committees, that corporate governance was operating effectively throughout the financial year ended 31 March 2018. However, these do not impact on the financial statements of Dundee Integration Joint Board. There were no other issues arising which require any further disclosure in the Integration Joint Board's Governance Statement.

Throughout the year, the Performance and Audit Committee has considered a range of issues which cover its core responsibilities in providing the Integration Joint Board 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 Chair of the Performance and Audit Committee provides an update to the next available Integration Joint Board meeting on the issues raised and any areas of concern which the Integration Joint Board should be made aware of. Over the course of 2017/18, no such areas of concern were noted by the Chair of the Performance and Audit Committee.

The Chief Internal Auditor has carried out his review of the adequacy and effectiveness of the Integration Joint Board's framework of governance, risk management and control. The findings of this review are reflected in the Annual Internal Audit Report 2017/18 which was reported to the Performance and Audit Committee on 31st July 2018. The Annual Internal

Audit Report supports the outcome of the self-assessment process noted above and concludes that reliance can be placed on the Integration Joint Board's governance arrangements and systems of internal controls for 2017/18. The Chief Internal Auditor has noted a number of areas for further consideration by management and an action plan to meet these has been developed and is to be submitted to the Performance and Audit Committee for approval at its meeting on 25th September 2018. These actions are noted under the continuous improvement section above and the action plan will be monitored by the Performance and Audit Committee.

Conclusion and Opinion on Assurance

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Dundee City Integration Joint Board's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the Integration Joint Board's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.

Councillor Ken Lynn
Chair
Dundee City Integration Joint Board

25 September 2018

David W Lynch
Chief Officer
Dundee City Integration Joint Board

25 September 2018

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COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the cost of providing services which are funded by budget requisitions from the partners for the year according to accepted accounting practices.

2016/17		2017/18
Net Expenditure (Income) £000		Net Expenditure (Income) £000
66,987	Older People Services	71,201
18,593	Mental Health	18,996
29,427	Learning Disability	31,215
7,433	Physical Disability	8,923
3,666	Substance Misuse	3,945
12,009	Community Nurse Services / AHP* / Other Adult Services	12,412
10,184	Community Services (Hosted)	10,151
4,851	Other Services / Support / Management	5,799
35,450	Prescribing	35,818
24,533	General Medical Services (FHS**)	24,163
20,048	FHS – Cash limited & Non Cash Limited	17,155
233,181	Net Cost of Operational Services during the Year	239,778
229	IJB Operational Costs	267
4,352	Central Support	4,658
21,059	Large Hospital Set Aside	17,452
258,821	Total Cost of Services	262,155
(263,784)	Taxation and Non- Specific Grant Income (Note 6)	(261,752)
(4,963)	(Surplus) or Deficit on Provision of Services	403
(4,963)	Total Comprehensive Income & Expenditure	403

Notes

* AHP – Allied Health Professionals

** FHS – Family Health Services

Dundee City Integration Joint Board's Comprehensive Income and Expenditure Statement shows the net commissioning expenditure provided to partners to support services. It does not detail income received from service users as this remains the statutory responsibility of the partners.

There are no statutory or presentation adjustments which affect the IJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently an Expenditure and Funding Analysis is not provided in these annual accounts.

THE FINANCIAL STATEMENTS 2016-17

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the Dundee City Integration Joint Board's reserves.

Total Reserves 2016-17 £000	Movements in Reserves During 2017/18	General Fund Balance Total Reserves £000
0	Opening Balance at 31 March 2017	4,963
4,963	Total Comprehensive Income and Expenditure	(403)
4,963	Increase/(Decrease) in 2017/18	(403)
4,963	Closing Balance at 31 March 2018	4,560

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BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Dundee City Integration Joint Board.

31 March 2017 £000		Notes	31 March 2018 £000
4,975	Short Term Debtors	Note 6	4,596
4,975	Current Assets		4,596
(12)	Short Term Creditors	Note 7	(36)
(12)	Current Liabilities		(36)
4,963	Net Assets		4,560
4,963	Usable Reserve: General Fund	Note 8	4,560
4,963	Total Reserves		4,560

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on the 25th September 2018.

Dave Berry, CPFA
Chief Finance Officer
Dundee City Integration Joint Board

25 September 2018

1. Significant Accounting Policies

General Principles

The Financial Statements summarises Dundee City Integration Joint Board's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Dundee City Integration Joint Board was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS), and statutory guidance issued under Section 12 of the 2003 Act.

The accounts are prepared on a going concern basis, which assumes that the Dundee City Integration Joint Board will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the Dundee City Integration Joint Board.
- Income is recognised when the Dundee City Integration Joint Board has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down.

Funding

Dundee City Integration Joint Board is primarily funded through funding contributions from the statutory funding partners, Dundee City Council and NHS Tayside. Expenditure is incurred as the Integration Joint Board commission's specified health and social care services from the funding partners for the benefit of service recipients in the Dundee City Integration Joint Board area.

Cash and Cash Equivalents

Dundee City Integration Joint Board does not operate a bank account or hold cash. Transactions are settled on behalf of Dundee City Integration Joint Board by the funding partners. Consequently Dundee City Integration Joint Board does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March 2018 is represented as a debtor or creditor on Dundee City Integration Joint Board's Balance Sheet.

Employee Benefits

Dundee City Integration Joint Board does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. Dundee City Integration Joint Board therefore does not present a Pensions Liability on its Balance Sheet. Dundee City Integration Joint Board has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs.

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 Dundee City Integration Joint Board's financial position or financial performance. Where a change is made and it is material to the financial statements, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There were none for 2017/18.

Charges to Revenue for Non-Current Assets

Dundee City Integration Joint Board does not hold non-current assets and therefore is not subject to direct depreciation charges. However Dundee City Integration Joint Board does receive a charge for property for the use of assets. These assets enable Dundee City Integration Joint Board to deliver their priorities. Contained within this recharge amongst other costs, is an element of depreciation associated with the assets that help support the Board's activities.

Accounting Standards that have been issued but not adopted

There were no relevant accounting standards that have been issued but are not yet adopted in the 2018/2019 Code of Practice on Local Authority Accounts in the United Kingdom.

Reserves

The Dundee City Integration Joint Board's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March 2018 shows the extent of resources which the IJB can use in later years to support service provision.

VAT

Due to its legal status Dundee City Integration Joint Board is not registered for VAT. As a result VAT payable is included as an expense as it is not recoverable from Her Majesty's Revenue and Customs. In addition where consideration is received by Dundee City Integration Joint Board for services provided income will include the associated VAT.

Indemnity Insurance

Dundee City Integration Joint Board has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Tayside and Dundee City Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. Unlike NHS Boards, Dundee City Integration Joint Board does not have any 'shared risk' exposure from participation in Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). Dundee City Integration Joint Board participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the Dundee City Integration Joint Board's Balance Sheet. The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset. The IJB currently has no known or potential claims against it.

2. Critical Judgements and Estimation Uncertainty

Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Dundee City Integration Joint Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

There is a continuing high degree of uncertainty about future levels of public spending, particularly ahead of the Scottish Government's 2019-2020 Spending Review. However, the Dundee City Integration Joint Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the constituent bodies, Dundee City Council and NHS Tayside, might be impaired as a result of a need to close facilities and reduce levels of service provision.

The value of the Large Hospital "set aside" expenditure reported within the total Integration Joint Board expenditure of £17.452m is based on the most recently available activity levels for hospital inpatient and day case activity as provided by NHS Services Scotland's Information Services Division and direct cost information provided by NHS Tayside. This is a transitional arrangement for 2017/18 agreed locally between NHS Tayside and the three Tayside Integration Joint Boards and with the Scottish Government. Work is progressing at a national and local level to refine the methodology for calculating and planning the value of this in the future.

On behalf of all IJBs within the NHS Tayside area, Dundee IJB acts as the lead partner under hosting arrangements for a range of services including Palliative Care, Brain Injury, Dietetics, Sexual and Reproductive Health and Psychology. It commissions services on behalf of the three Tayside IJB's and is responsible for the strategic planning and operational budget of those hosted services. The IJB reclaims the cost of these services using an agreed methodology based around population shares from the other IJB's. The IJB will also receive a corresponding charge from the other Tayside IJB's for the services they host on Dundee's behalf. This arrangement is treated as an agency arrangement.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Dundee City Integration Joint Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

3. Events after the Reporting Period

There were no events that occurred between 1 April 2018 and 25 September 2018 that would have an impact on the 2017/18 financial statements.

4. Expenditure and Income Analysis by Nature

2016/17 £000	Description	2017/18 £000
160,924	Services commissioned from NHS Tayside	155,535
97,668	Services commissioned from Dundee City Council	106,353
212	Other IJB Operating Expenditure	243
17	Auditor Fee : External Audit Work	24
(179,717)	Partners Funding Contributions – NHS Tayside	(176,871)
(84,067)	Partners Funding Contributions – Dundee City Council	(84,881)
(4,963)	Surplus or Deficit on the Provision of Services	403

5. Taxation and Non-Specific Grant Income

2016/17 £000	Description	2017/18 £000
(179,717)	Funding Contribution from NHS Tayside	(176,871)
(84,067)	Funding Contribution from Dundee City Council	(84,881)
(263,784)	Taxation and Non-Specific Grant Income	(261,752)

The funding contribution from the NHS Board shown above includes £17.452m in respect of 'set aside' resources relating to acute hospital and other resources (Large Hospital Set Aside). Dundee City Integration Joint Board has responsibility for the strategic planning of the amount set aside based on the local population's consumption of these resources. NHS Tayside has the responsibility to manage the costs of providing these services. The value of the set aside noted above is based on activity information provided by the Scottish Governments Information Services Division, set against direct expenditure figures provided by NHS Tayside.

NOTES TO THE FINANCIAL STATEMENTS

The methodology of calculating future values of the Large Hospital Set Aside is being developed locally and nationally.

6. Debtors

2016/17 £000	Description	2017/18 £000
0	NHS Tayside	0
4,975	Dundee City Council	4,596
4,975	Total Debtors	4,596

Amounts owed by the funding partners are stated on a net basis. Debtor balances relating to income yet to be received by the funding partners but not yet settled are offset against the funds they are holding on behalf of the Integration Joint Board.

7. Creditors

2016/17 £000	Description	2017/18 £000
0	NHS Tayside	6
12	Other Bodies	30
12	Total Creditors	36

Amounts owed are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled are offset against the funds they are holding on behalf of the Integration Joint Board.

8. Usable Reserve: General Fund

Dundee City Integration Joint Board holds a general reserve balance for two main purposes:

- To commit, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a contingency fund to cushion the impact of unexpected events or emergencies. This is regarded as a key part of the Integration Joint Board's risk management framework.

2016/17	Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Uncommitted	0	0	632	632
Committed	0	0	4,331	4,331
Total – General Fund Balances	0	0	4,963	4,963

NOTES TO THE FINANCIAL STATEMENTS

2017/18	Balance at 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/2018 £000	Balance at 31 March 2018 £000
Uncommitted	632	(402)	0	230
Committed	4,331	(1)	0	4,330
Total – General Fund Balances	4,963	(403)	0	4,560

Committed Balances

Dundee Integration Joint Board's Committed Balances serve the following purposes

- a) Integration - To assist in the integrating of Social Care and Health Service provisions (balance at 31 March 2018 is £3,930k).
- b) Transformation - To assist in the development of service provisions to meet ongoing and future demand (balance at 31 March 2018 is £400k).

9. Related Party Transactions

The Dundee City Integration Joint Board has related party relationships with NHS Tayside and Dundee City Council. In particular the nature of the partnership means that the Dundee City Integration Joint Board may influence or be influenced by, its partners. The following transactions and balances included in Dundee City Integration Joint Board's accounts are presented to provide additional information on the relationships. Dundee City Integration Joint Board is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence Dundee City Integration Joint Board or to be controlled or influenced by Dundee City Integration Joint Board. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties. Disclosure of these transactions allows readers to assess the extent to which the Dundee City Integration Joint Board may 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 Dundee City Integration Joint Board.

Dundee City Integration Joint Board Members

Board members of Dundee City Integration Joint Board have direct control over the Board's financial and operating policies. The Dundee City Integration Joint Board membership is detailed on page 4 of these statements. Board members have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, board members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

NOTES TO THE FINANCIAL STATEMENTS

Officers

Senior Officers have control over Dundee City Integration Joint Board's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report. Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

Key Management Personnel

The Non-Voting Board members employed by Dundee City Council and recharged to the Dundee City Integration Joint Board include the Chief Officer and the Chief Finance Officer. Details of the remuneration for these post-holders is provided in the Remuneration Report.

Transactions with NHS Tayside

2016/17 £000	Description	2017/18 £000
179,717	Funding Contributions received from the NHS Tayside Board	176,871
(160,924)	Net Expenditure on Services Provided by the NHS Tayside Board	(155,535)
18,793	Net Transactions with NHS Tayside	21,336

Balances with NHS Tayside

2016/17 £000	Description	2017/18 £000
0	Debtor balances: Amounts due from the NHS Board	0
0	Creditor balances: Amounts due to the NHS Board	6
0	Net Balance with the NHS Board	6

Transactions with Dundee City Council

2016/17 £000	Description	2017/18 £000
84,067	Funding Contributions received from Dundee City Council	84,881
(93,316)	Net Expenditure on Services Provided by Dundee City Council	(101,962)
(4,352)	Support Services from Dundee City Council	(4,658)
(13,601)	Net Transactions with Dundee City Council	(21,739)

The Central Support cost of £4,658 is made up of charges for use of property and other support services which enabled services commissioned by the Dundee City Integration Joint Board to be delivered. No support services benefits in kind have been provided.

NOTES TO THE FINANCIAL STATEMENTS

Balances with Dundee City Council

2016/17 £000	Description	2017/18 £000
4,975	Debtor balances: Amounts due from Dundee City Council	4,596
0	Creditor balances: Amounts due to Dundee City Council	0
4,975	Net Balance with Dundee City Council	4,596

10. Value Added Tax (VAT)

Non recoverable VAT is limited to costs incurred directly by Dundee City Integration Joint Board where these costs are outwith any special legal regime. The only incumbent special legal regime relates to the role of the Board's Chief Officer. All costs attributable to the special legal regime are outwith the scope of VAT.

The commissioning of services by Dundee City Integration Joint Board from the constituent bodies are outwith the scope of VAT.

The net expenditure incurred by the two constituted bodies in respect of services commissioned by Dundee City Integration Joint Board is subject to different VAT regimes as defined by Value Added Tax Act 1994.

Dundee City Council is classified as Section 33 body for VAT purposes and can recover VAT on taxable supplies (including zero-rated) in the course of the furtherance of business. In addition a Section 33 body can where appropriate, recover VAT on non-business activities and based on a prescribed limit, recover VAT on exempt business activities. In general terms a Section 33 body can recover VAT on most activities.

Where Dundee City Council is a provider of services commissioned by Dundee City Integration Joint Board the cost of the commissioned services will exclude VAT unless it is determined to be irrecoverable to the Council as a result of its status as a Section 33 body.

NHS Tayside is classified as Section 41 body for VAT purposes. This VAT status makes VAT recovery somewhat more restricted. VAT is only recoverable on a restricted list of activities. Where VAT is paid on activities outwith the prescribed list, VAT is irrecoverable and forms part of the service expenditure. This means that services commissioned by Dundee City Integration Joint Board from NHS Tayside will where appropriate include irrecoverable VAT.

11. Agency Income and Expenditure

On behalf of all Integration Joint Boards within the NHS Tayside area, the Dundee City Integration Joint Board acts as the lead manager for a variety of Community, Older People, Physical Disability, Mental Health and Learning Disability Services. It commissions services on behalf of the other Integration Joint Boards (Perth & Kinross and Angus) and reclaims the costs involved. The payments that are made on behalf of the other Integration Joint Boards, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the Dundee City Integration Joint Board is not acting as principal in these transactions.

NOTES TO THE FINANCIAL STATEMENTS

The amount of expenditure and income relating to the agency arrangement is shown below.

2016/17 (£000)	Description	2017/18 (£000)
10,928	Expenditure on Agency Services	10,870
(10,928)	Reimbursement for Agency Services	(10,870)
0	Net Agency Expenditure Excluded from CIES	0

12. Provisions

Dundee City Integration Joint Board has currently made no provisions. This does not prohibit Dundee City Integration Joint Board making provisions in the future and will where necessary consider the needs for a provision based on the merits of the incumbent circumstances at a relevant future point.

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 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income & Expenditure Statement, Movement in Reserves Statement, 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of Dundee City Integration Joint Board as at 31 March 2018 and of its income and expenditure 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 2017/18 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Dundee City Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Chief Finance Officer and Performance and Audit Committee 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.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing Dundee City Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Performance and Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit 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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

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, the audited part of the Remuneration Report, 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, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited 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 audited 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, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

25 September 2018

GET IN TOUCH:

Further information on the accounts can be obtained on the
Dundee Health & Social Care Partnership website
www.dundeehscp.com

If you have any questions about the information
contained in this document, please email:
dundeehscp@dundeecity.gov.uk