

# Dundee City Integration Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

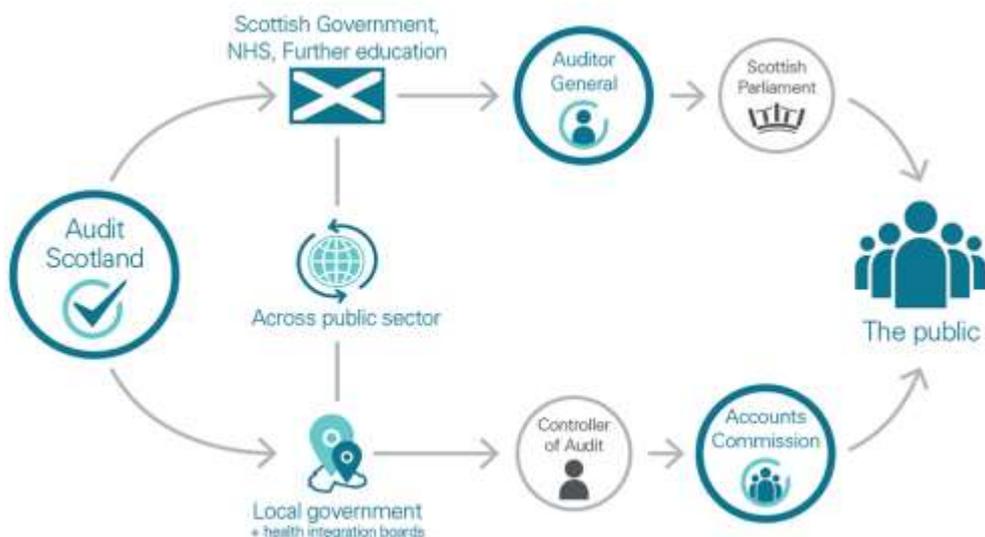
Prepared for the Dundee City Integration Joint Board and the Accounts Commission

September 2017

## Who we are

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

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
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Our vision is to be a world-class audit organisation that improves the use of public money.

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- 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

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## Audit of 2016/17 annual accounts

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

## Financial management

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

## Financial sustainability

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

## Governance and transparency

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

## Value for money

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

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# Introduction

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

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

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## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

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

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

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

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

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

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

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

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

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

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

**11.** This report is addressed to both the Integration Joint Board and the Accounts Commission and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

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

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# Part 1

## Audit of 2016/17 annual accounts

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### Main judgements

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

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

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### Unqualified audit opinions

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

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

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

### Submission of annual accounts for audit

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

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

### Risks of material misstatement

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

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

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## Materiality

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

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

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## Exhibit 2

### Materiality values

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

Source: Audit Scotland

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## Evaluation of misstatements

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

## Significant findings

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

## Exhibit 3

### Significant findings from the audit of the Annual Accounts

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

Source: Dundee City IJB Annual Accounts 2016/17

## Other findings

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

# Part 2

## Financial management



### Main judgements

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

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

### Financial management

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

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

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

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

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

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

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

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

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

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

### **Internal controls**

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

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

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

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

# Part 3

## Financial sustainability



### Main judgements

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

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

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

### Financial performance in 2016/17

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

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

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

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

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

## Exhibit 4

### Actual outturn against budget 2016/17

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

Source: 2016/17 Dundee City IJB audited accounts.

## Financial planning

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

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

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

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

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### Recommendation 3

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

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#### Reserves strategy

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

#### Efficiency savings

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

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

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

# Part 4

## Governance and transparency



### Main judgements

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

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

### Governance arrangements

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

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

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

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

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

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

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

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

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

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

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

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

## Internal audit

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

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

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

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

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

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

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## **Recommendation 4**

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

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#### **Transparency**

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

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

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

#### **Other governance arrangements**

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

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

# Part 5

## Value for money



### Main judgements

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

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

### Performance management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### **Recommendation 5**

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

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### **National performance audit reports**

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

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

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### **Recommendation 6**

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

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# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
10	<p><b>1. Hospital acute services (set aside)</b></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><b>Risk</b></p> <p>In future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p>	<p>NHS Tayside and the IJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p>	<p>Action: Work is progressing locally and nationally to determine the most appropriate methodology for calculating and monitoring the value of the Large Hospital Set Aside.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Action by: March 2018</p>
10	<p><b>2. Annual Governance Statement and Management Commentary: non-compliance with guidance and regulations</b></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><b>Risk</b></p> <p>The annual accounts may not comply with current guidance and Regulations.</p>	<p>The IJB should ensure that there is a process in place to ensure that the requirements of existing guidance and Regulations are met.</p>	<p>Action: The Management Commentary and Annual Governance have been amended to ensure compliance with guidance and Regulations.</p> <p>Any further requirements will be reflected in future years.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Action by: June 2018</p>



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



**Page  
no.**

**Issue/risk**

**Recommendation**

**Agreed management  
action/timing**

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

**Risk**

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

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

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

Responsible officer: Chief Officer

Action by: September 2017

# Appendix 2

## Significant audit risks identified during planning

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

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

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

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

<p><b>5 Financial sustainability</b></p> <p>NHS Tayside and Dundee City Council face significant financial pressures from funding reductions and increasing costs. There is a risk that the IJB in partnership with NHS Tayside and Dundee City council may not be able to identify sustainable savings measures or meet cost pressures as they arise. As at December 2016, the IJB has a projected overspend of £2.3 million, mainly arising from an NHS Tayside related cost of prescribing and consequently,</p>	<p>Review of ongoing budget monitoring to ensure it accurately reflects the position of the IJB.</p> <p>Review recovery plans or remedial action taken to address areas of budget pressure / projected overspends.</p> <p>Review reserves policy.</p>	<p>Underspend of £4.963 million in year retained in reserves. The Board's reserves policy fully sets out the circumstances in which reserves can be created, and the governance arrangements around their use.</p> <p>To achieve financial balance in 2017/18, efficiency savings of £5.565 million have been built into the IJB's 2017/18 budget. We will continue to monitor the achievement of savings targets as part of the audit process.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>the IJB has triggered the risk sharing agreement contained in the Integration Scheme.</p>		
<p><b>6 Governance and assurance arrangements</b></p> <p>The January 2017 Performance and Audit Committee received an update on the actions from the 2015/16 Annual Internal Audit Report. The update showed that progress had been made in a number of areas. However it also noted that further action was needed including further action by the IJB and all parties around developing and clarifying all governance arrangements, including: risk management, assurance and accountability arrangements; developing the scheme of delegation; and fraud reporting arrangements.</p> <p>There is a risk of a lack of clarity in the arrangements which could lead to decision making being undermined.</p>	<p>Monitor developments in this area.</p> <p>Review of the 2016/17 Annual Internal Audit Report.</p>	<p>Arrangements not yet fully developed - noted as an area for development in the 2016/17 Annual Internal Audit Report. This is an important area that has not been progressed quickly enough.</p>
<p><b>7 Corporate Support</b></p> <p>Dundee City Council and NHS Tayside may not be able to provide the IJB with sufficient corporate support, including support to further develop its: performance framework; transformation programme and integrated (rather than aligned) budget for 2017/18. Insufficient corporate support could prevent the IJB from delivering on its strategic aims.</p>	<p>Consider the results of the work undertaken by internal audit.</p> <p>Monitor the IJBs development of its performance framework; transformation programme; and integrated budget.</p>	<p>Internal Audit plan to submit the report to the November 2017 Performance and Audit Committee.</p>
<p><b>8 Transparency</b></p> <p>In order to ensure transparency, information about the nature of the IJB, its performance and governance should be readily accessible to the public. Dundee City IJB currently does not have its own website. Some committee and board papers and key documents are available on the Dundee City website.</p> <p>There is a risk that information on the governance and performance of the IJB is</p>	<p>Review the development of public reporting and other IJB information available to the public.</p>	<p>The IJB has made good progress and now has its own website. We note that there have been some delays in loading information including the papers for the Performance and Audit Committee. This is due to constraints in administration resource.</p>

Audit risk	Assurance procedure	Results and conclusions
inaccessible to stakeholders.		

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# Appendix 3

## Summary of national performance reports 2016/17



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

### National reports relevant to the Board

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

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

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

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

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

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

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

# Dundee City Integration Joint Board

## Proposed 2016/17 Annual Audit Report

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