

# Dundee City Integration Joint Board

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

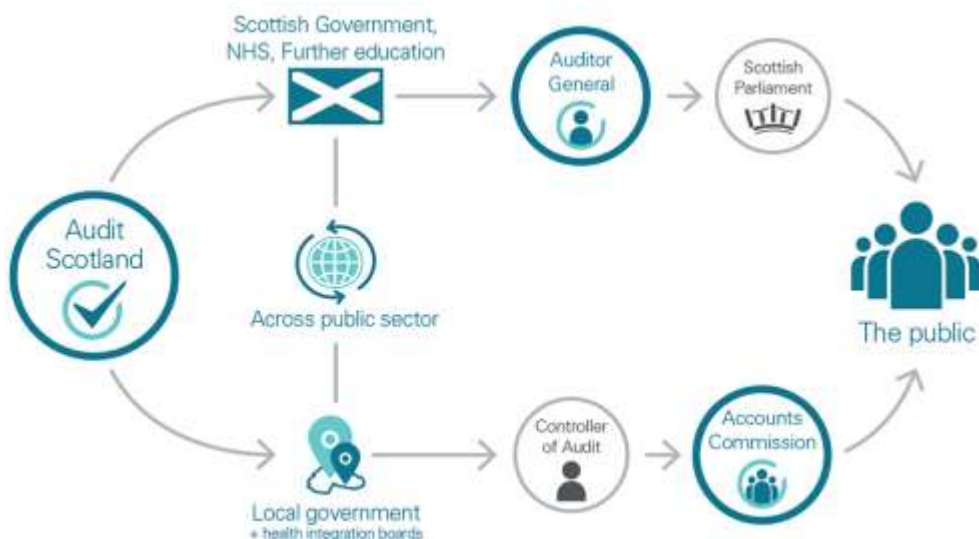
Prepared for Dundee City Integration Joint Board

March 2017

## Who we are

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

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



## About us

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

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

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

# Contents

---

<b>Risks and planned work</b>	<b>4</b>
Introduction	4
Audit risks	4
Reporting arrangements	7
Audit fee	7
Responsibilities	8
<b>Audit scope and timing</b>	<b>9</b>
Financial statements	9
Internal audit	10
Audit dimensions	11
Value for money	12
Independence and objectivity	12
Quality control	12

# Risks and planned work

## Introduction

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Dundee City Integration Joint Board(IJB). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

Audit risk	Management assurance	Planned audit work
<b>Financial statement risks</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>	<ul style="list-style-type: none"> <li>owing to the nature of this risk, assurances from management are not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>detailed testing of journal entries.</li> <li>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.</li> </ul>
<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>	<ul style="list-style-type: none"> <li>robust budget monitoring.</li> <li>assurances to be provided to the IJB by Dundee City Council and NHS Tayside on the completeness and accuracy of transaction coded to IJB account codes.</li> </ul>	<ul style="list-style-type: none"> <li>obtain assurances from the auditors of Dundee City Council and NHS Tayside over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</li> <li>carry out audit testing to confirm the accuracy and correct allocation of IJB</li> </ul>

Audit risk	Management assurance	Planned audit work
		transactions, and that they are recorded in the correct financial year.
<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 within the timescales required for NHS Tayside to meet its statutory sign-off deadline of 30 June 2017.</p>	<ul style="list-style-type: none"> <li>• periodic monitoring of financial information to facilitate early reporting</li> <li>• officers complying, where appropriate, with guidance from the Integrated Resource Advisory Group (IRAG) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC)</li> <li>• processes and procedures will be agreed to ensure information is provided in a timely manner to support the delivery of NHS Tayside's financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• engage with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is understood</li> <li>• 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.</li> </ul>
<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>	<ul style="list-style-type: none"> <li>• strong working relationships with Dundee City Council and NHS Tayside</li> <li>• the integration scheme specifies the financial reporting responsibilities of both Dundee City Council and NHS Tayside</li> <li>• monthly monitoring of financial information</li> <li>• assurances provided through internal audit arrangements.</li> <li>• consideration of the 2016/17 Code of Practice on Local Authority Accounting (the Code) changes through the final accounts working group.</li> </ul>	<ul style="list-style-type: none"> <li>• review of the governance statement to ensure it adequately reflects the position of the IJB and compliance with the Code</li> <li>• confirm appropriate action is taken on issues raised in internal audit reports</li> <li>• confirm that financial reporting throughout the year is accurately reflected in the year end position</li> <li>• carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year</li> <li>• obtain formal assurances from the auditors of Dundee City Council and NHS Tayside.</li> </ul>
<b>Wider dimension risks</b>		
<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</p>	<ul style="list-style-type: none"> <li>• strong working relationships between the council and the health board</li> <li>• regular financial monitoring and reporting to the IJB</li> <li>• a reserves policy is being</li> </ul>	<ul style="list-style-type: none"> <li>• review of ongoing budget monitoring to ensure it accurately reflects the position of the IJB</li> <li>• review recovery plans or remedial action taken to</li> </ul>

Audit risk	Management assurance	Planned audit work
<p>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, the IJB has triggered the risk sharing agreement contained in the Integration Scheme.</p>	<p>developed.</p>	<p>address areas of budget pressure / projected overspends</p> <ul style="list-style-type: none"> <li>• review reserves policy.</li> </ul>
<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>	<ul style="list-style-type: none"> <li>• implementation of outstanding actions and the submission of a further progress report to the Performance and Audit Committee on the progress in implementing the 2015/16 Internal Audit action plan.</li> </ul>	<ul style="list-style-type: none"> <li>• monitor developments in this area</li> <li>• review of the 2016/17 Annual Internal Audit Report.</li> </ul>
<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>	<ul style="list-style-type: none"> <li>• internal audit 2016/17 review of corporate support functions provision from Dundee City Council and NHS Tayside.</li> </ul>	<ul style="list-style-type: none"> <li>• consider the results of the work undertaken by internal audit</li> <li>• monitor the IJBs development of its performance framework; transformation programme; and integrated budget.</li> </ul>
<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</p>	<ul style="list-style-type: none"> <li>• dedicated Dundee Health and Social Care Partnership website due to go live during the first week of April 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• review the development of public reporting and other IJB information available to the public.</li> </ul>

Audit risk	Management assurance	Planned audit work
<p>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 inaccessible to stakeholders.</p>		

## Reporting arrangements

3. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
4. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.
5. We will provide an independent auditor's report to the members of Dundee City IJB and the Accounts Commission, summarising the results of the audit of the annual accounts. We will provide the IJB and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

## Exhibit 2 2016/17 Audit outputs

Audit Output	Target date	Performance and Audit Committee Date
Annual Audit Report including ISA 260 requirements	29 August *	12 September
Signed Independent Auditor's Report	13 September	N/A

\* This date is the date the **proposed** Annual Audit Report will be presented for those charged with governance. To allow for potential subsequent post balance sheet events, the formal Annual Audit Report cannot be presented until after the date of certification of the annual accounts on 13 September.

## Audit fee

6. The proposed audit fee for the 2016/17 audit of Dundee City IJB is £17,400. In determining the audit fee we have taken account of the risk exposure of the IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 30 June.
7. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Responsibilities

### Performance and Audit Committee and Chief Officer

**8.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance and propriety that enable them to successfully deliver their objectives.

**9.** The audit of the financial statements does not relieve management or the Performance and Audit Committee, as those charged with governance, of their responsibilities.

### Appointed auditor

**10.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

**11.** Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.



# Audit scope and timing

## Financial statements

**12.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Dundee City IJB and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Dundee City IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**13.** We will give an opinion on the financial statements as to whether they:

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

## Materiality

**14.** Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for the IJB Dundee City Integration Joint Board are set out in [Exhibit 3](#).



## Exhibit 3

### Materiality values

Materiality level	Amount
<b>Planning materiality</b> - 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 delegated budget expenditure for 2016/17.	£2.489 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 planning materiality.	£1.742 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 set at 1% of planning materiality.	£0.025 million



15. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issue identified will be reported to the Performance and Audit Committee.

### Timetable

16. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Performance and Audit Committee dates:

## Exhibit 4

### Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	27 June
Latest submission date of unaudited financial statements with complete working papers package	30 June
Latest date for final clearance meeting with the Chief Finance Officer	22 August
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	29 August
Independent auditor's report signed	13 September

### Internal audit

17. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit for 2016/17 is provided by Fife, Tayside and Forth Valley Audit and Management Services (FTF), supported by Dundee City Council's internal audit section.

**18.** Overall, we concluded that the internal audit service provided by FTF and Dundee City Council generally operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and appropriate documentation standards and reporting procedures in place.

**19.** In respect of our wider dimension audit responsibilities we plan to consider areas of internal audit work including: due diligence; workforce which includes a review of corporate support functions; and clinical, care and professional governance. There are no planned internal audit reviews that would impact on our financial audit work.

## Audit dimensions

**20.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

---

### Exhibit 5

#### Audit dimensions



**21.** The appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

#### Financial sustainability

**22.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

#### Financial management

**23.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption. .

### **Governance and transparency**

**24.** 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. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting

### **Value for money**

**25.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether Dundee City IJB can provide evidence that it is demonstrating value for money in the use of its resources and achievement of outcomes.

### **Independence and objectivity**

**26.** Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

**27.** The engagement lead for Dundee City IJB is Fiona Mitchell-Knight, Assistant Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Dundee City IJB.

### **Quality control**

**28.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

**29.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland

conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

**30.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Dundee City Integration Joint Board

## Annual Audit Plan 2016/17

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](mailto:info@audit-scotland.gov.uk)

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)