

Dundee City Integration Joint Board

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

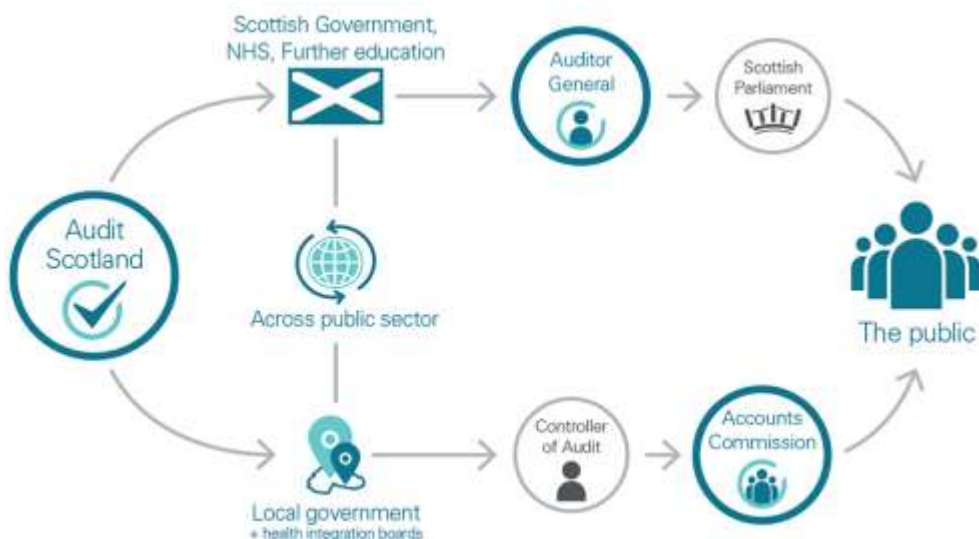
Prepared for Dundee City Integration Joint Board

March 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

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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Risks and planned work

1. This audit plan provides an overview of the planned scope and timing of our audit of Dundee City Integration Joint Board (the IJB) for 2017/18. Our audit is carried out in accordance with International Standards on Auditing (ISAs) and the [Code of Audit Practice](#) issued by Audit Scotland and endorsed by the Accounts Commission.

2. The plan sets out the audit work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit. The wider scope of public audit includes assessing arrangements for financial sustainability, governance and transparency, and value for money. We make a public report of conclusions on these matters in our Annual Audit Report to the Integration Joint Board and the Controller of Audit.

Audit risks

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

Exhibit 1

2017/18 Key audit risks

| Audit Risk | Source of assurance | Planned audit work |
|---|---|---|
| Financial statement issues and risks | | |
| <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> | <ul style="list-style-type: none"> In view of the nature of this risk, assurances from management are not appropriate. | <ul style="list-style-type: none"> Detailed testing of journal entries. Service auditor assurances will be obtained from the auditors of NHS Tayside and Dundee City Council over the completeness, accuracy and allocation of the income and expenditure. |
| <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</p> | <ul style="list-style-type: none"> Robust budget monitoring. 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. | <ul style="list-style-type: none"> Obtain assurances from the auditors of Dundee City Council and NHS Tayside over the accuracy, completeness and appropriate allocation of the IJB ledger entries. Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they |

| Audit Risk | Source of assurance | Planned audit work |
|---|--|--|
| <p>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>are recorded in the correct financial year.</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, 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> | <ul style="list-style-type: none"> 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). | <ul style="list-style-type: none"> Engage with officers to ensure that a robust mechanism has been developed to quantify the IJBs set aside income and expenditure. Monitor Scottish Government guidance on the treatment of set aside in the 2017/18 financial statements to establish whether the financial statements are compliant. |
| <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> | <ul style="list-style-type: none"> Officers will liaise with external audit to ensure requirements are met. | <ul style="list-style-type: none"> Review the annual governance statement and management commentary against the requirements of relevant regulations and guidance. |
| <p>Wider dimension risks</p> | | |
| <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</p> | <ul style="list-style-type: none"> Strong working relationships between the council and the health board. Regular financial monitoring and reporting to the IJB. Integration Joint Board Transformation Programme and associated infrastructure established in response to the financial challenges | <ul style="list-style-type: none"> Review ongoing budget monitoring and progress made on meeting savings targets and dealing with cost pressures. If available, review any long term financial plan and the assumptions made to ensure that they are reasonable. Review how the IJB will deal with overspends once the two year cost sharing period, as defined in the Integration Scheme, ends. Monitor the progress with the Transformation Programme. |

| Audit Risk | Source of assurance | Planned audit work |
|--|---|--|
| <p>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>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> | <ul style="list-style-type: none"> Integration Joint Board Transformation Programme also aims to identify where best value is not being delivered. | <ul style="list-style-type: none"> Engage with officers to ensure that the IJB has appropriate arrangements in place to demonstrate that it is meeting its statutory duty on delivering Best Value. A position statement will be reported in the Annual Audit Report. |

Reporting arrangements

4. 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.

5. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officer(s) to confirm factual accuracy.

6. We will provide an independent auditor's report to Dundee City Integration Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Integration Joint Board and the Controller of Audit with an Annual Audit Report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2017/18 Audit outputs

| Audit Output | Target date | Performance and Audit Committee/Integration Joint Board Date |
|------------------------------|--------------------|--|
| Annual Audit Plan | 28 February 2018 | 27 March 2018 |
| Annual Audit Report * | 11 September 2018* | 25 September 2018 |
| Independent Auditor's Report | 25 September 2018 | 25 September 2018 (Board date) |

* 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 25 September.

Audit fee

7. The agreed audit fee for the 2017/18 audit of Dundee City Integration Joint Board is £24,000 (£17,400 2016/17). In determining the audit fee we have taken account of the risk exposure of Dundee City Integration Joint Board, 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 29th June 2018.

8. 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 out with our planned audit activity.

Responsibilities

Performance and Audit Committee and Chief Officer

9. 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.

10. 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

11. 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.

12. Auditors in the public sector give an independent opinion on the annual accounts. 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

13. The statutory financial statements audit will be the foundation and source for much 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 Dundee City Integration Joint Board 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 Integration Joint Board 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.

14. We will give an opinion on the financial statements as to whether:

- the financial statements give a true and fair view of the state of affairs of the Integration Joint Board and the income and expenditure for the year
- the annual accounts have been properly prepared in accordance with International Financial Reporting Standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom
- whether the annual accounts have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003 and other relevant legislation.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

15. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinion in the auditor's report. Our calculated materiality levels are set out in [exhibit 3](#).

Exhibit 3: Materiality levels

| Materiality level | Amount |
|--|---------------|
| Planning 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 net expenditure for the year based on the audited accounts for 2016/17. | £2.59 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 55% of planning materiality. | £1.42 million |
| Reporting threshold (i.e. clearly trivial) – 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 planning materiality. | £26,000 |



Source: Audit Scotland

16. Items can be material by nature, rather than value; for example, a failure to comply with legislation. We review other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. We consider whether the supporting information is consistent with the financial statements and our wider knowledge of the Integration Joint Board and its environment and provide comment and recommendations as appropriate.

Timetable

17. 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 | 26 June 2018 |
| Agreed submission date of unaudited annual accounts with complete working papers package | 29 June 2018 |
| Latest date for final clearance meeting with Chief Financial Officer | 24 August 2018 |
| Issue of letter of representation and proposed independent auditor's report | 11 September 2018 |
| Agreement of audited unsigned annual accounts | 11 September 2018 |
| Issue of proposed Annual Audit Report including ISA 260 report to those charged with governance | 11 September 2018 |
| Independent auditor's report signed | 25 September 2018 |

Internal audit

18. 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.

Adequacy of Internal Audit

19. The Integration Joint Board's internal audit function is provided by FTF Audit and Management Services (FTF), overseen by FTF's Chief Internal Auditor, and is supported by Dundee City Council's internal audit section.

20. 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.

21. Several reports in relation to the previous year's audits are still to be reported and there is a risk that this could impact on the 2017/18 internal audit plan and consequently on IJB members and management obtaining the necessary assurances that they require for the Annual Governance Statement.

Areas of Internal Audit reliance

22. In respect of our wider dimension audit responsibilities we plan to consider the following areas of internal audit work:

- Workforce
- Clinical Care & Professional Governance
- Risk Management
- Transformation & Service Redesign

Audit dimensions

23. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements, [exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

Financial sustainability

24. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We also comment on the Integration Joint Board's financial sustainability in the medium and longer term. 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; including the potential impact of the end of the public sector pay cap, new financial powers and EU withdrawal.
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

25. 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:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established.

Governance and transparency

26. 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 governance arrangements 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/performance reporting.

Value for money / Best Value

27. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the Integration Joint Board can provide evidence that it is delivering value for money in its use of resources, has a focus on improvement and that there is a clear link to the outcomes delivered.

28. In this context, the Integration Joint Board should have arrangements in place to ensure that they can demonstrate how they are fulfilling their duty of Best Value. It is recognised that this is an area that IJBs need to develop. We will monitor and report on progress in the Annual Audit Report.

29. In Autumn 2018 Audit Scotland intends to publish, on behalf of the Auditor General and the Accounts Commission, a second national performance audit report on Health and Social Care Integration. We will contribute to the intelligence for this report as required.

30. In addition, Audit Scotland has requested auditors to provide information to support the assessment of the impact of the Changing Models of Health and Social Care performance audit (published in March 2016) during 2017/18 and provide information to support Audit Scotland in assessing the impact of the Social Work in Scotland performance audit (published in September 2016) during 2018.

Independence and objectivity

31. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. 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 Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

32. The engagement lead for Dundee City Integration Joint Board is Fiona Mitchell-Knight, Assistant Director. Auditing and ethical standards require the appointed auditor Fiona Mitchell-Knight 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 the Integration Joint Board.

Quality control

33. 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.

34. 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 and external quality reviews. External quality reviews are conducted by the Institute of Chartered Accountants of Scotland.

35. 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.

Adding Value

36. Through our audit work we aim to add value to the Integration Joint Board. We will do this by providing a summary of our audit activity in an Annual Audit Report. We will provide clear judgements and conclusions on how well the Integration Joint Board has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where appropriate we will recommend actions that support continuous improvement and highlight any areas of good practice identified from our audit work.

Dundee City Integration Joint Board

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