

# Dundee City Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

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

## Who we are

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

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



## About us

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

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

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

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# Key messages

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## 2017/18 annual report and accounts

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

## Financial management and sustainability

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

## Governance, transparency and value for money

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

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

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# Introduction

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1. This report is a summary of our findings arising from the 2017/18 audit of Dundee City Integration Joint Board, hereby referred to as 'the IJB'.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2018 meeting of the Performance and Audit Committee. This report comprises the findings from:
  - an audit of the IJB's annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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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 2017/18 have been:
  - an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
  - obtaining service auditor assurances from the auditors of NHS Tayside and Dundee City Council
  - consideration of the four audit dimensions.
4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

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

### **Adding value through the audit**

11. Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.
12. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
13. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual accounts



### Main judgements

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

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

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

### Audit opinions on the annual accounts

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

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

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

### Submission of annual accounts for audit

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

### Risks of material misstatement

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

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



## Materiality

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

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

**20.** On receipt of the annual report and accounts we reviewed our materiality calculations. Our final materiality levels are summarised at [exhibit 2](#).

## Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of net expenditure for the year.	£2.622 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 54% of planning materiality	£1.416million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of a predetermined reporting threshold. This has been calculated at 1% of planning materiality.	£0.026 million

Source: Audit Scotland

## Evaluation of misstatements

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

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

## Significant findings


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

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

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

## Exhibit 3

### Significant findings from the audit of the financial statements

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

## Follow up of prior year recommendations

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

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

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

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

# Part 2

## Financial management and sustainability



### Main judgements



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

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

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

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

### Financial management

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

- the Chief Financial Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

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

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

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

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

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



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

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

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

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



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

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



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

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

## Financial performance in 2017/18

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

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

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

## Exhibit 4

### Actual outturn against budget 2016/17

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

Source: 2017/18 Dundee City IJB audited accounts.

## Efficiency savings

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

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

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



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

## Financial Planning

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

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

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

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



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

## Reserves strategy

**45.** Dundee City IJB has a reserves policy that allows it to carry reserves of up to 2% of net expenditure. The policy was approved by the Board in April 2017.

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

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

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

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



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

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

## Workforce planning

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

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

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

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

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

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

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



# Part 3

## Governance, transparency and value for money



### Main judgements

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



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

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

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

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

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

### Governance arrangements

**56.** The IJBs integration scheme sets out its governance arrangements. The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements. The IJB's governance arrangements and procedures are regulated by a set of procedural documents including Standing Orders, a Scheme of Delegation and Financial Regulations.

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

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

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

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

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

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

**62.** The IJB's Chief Officer provides overall strategic and operational advice to the Board and is directly accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of Dundee City Council and the Chief Executive of NHS Tayside and sits on the management team at both organisations.

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

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

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

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

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

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

## Transparency

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

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

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

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



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

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

## Internal audit

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Cyber security**

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

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

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

## **General Data Protection Regulation**

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

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

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

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

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

## Value for money and performance management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## National performance audit reports

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

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

## Health and Social Care Integration performance audit

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

## Joint Inspection of Adult Support and Protection

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

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

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

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



# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement



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



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





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



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

### Follow up of prior year recommendations

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



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



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Audit Scotland national reports on Health and Social Care Integration. Audit Scotland produces a number of other national reports that, whilst they do not relate specifically to the IJB, contain information that could be relevant to the IJB. There is no formal mechanism to ensure members have the opportunity to consider these reports.</p> <p><b>Risk</b></p> <p>Members may not be fully aware of emerging national issues in the public sector that may impact on their ability to deliver services locally.</p>	<p>findings to members as appropriate.</p>	<p>recommendation. This was to consider the IJB's reporting of relevant reports to members. The format of the SMT meetings was subsequently changed however and there is no longer a visible mechanism for considering these reports. Further consideration should be given to how this process is formalised under the current arrangements</p> <p><b>Responsible officer:</b> Chief Officer</p> <p><b>Revised date:</b> December 2018</p>

# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p>1 <b>Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls.</p>	<p>In view of the nature of this risk, assurances from management are not appropriate.</p>	<p>Audit procedures were undertaken at the year end to ensure the figures in the accounts are accurate.</p> <p><b>Conclusion:</b> No issues were identified as part of the year end audit regarding management override of controls.</p>
<p>2 <b>Risk of fraud over income and expenditure</b></p> <p>ISA 240 includes an assumption on fraud over income. The Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure.</p> <p>The income and expenditure of the IJB is processed through the financial systems of Dundee City Council and NHS Tayside. There is a risk that non IJB related income and expenditure is incorrectly coded to IJB account codes.</p>	<p>Robust budget monitoring.</p> <p>Assurances to be provided to the IJB by Dundee City Council and NHS Tayside on the completeness and accuracy of transactions coded to IJB account codes.</p>	<p>Assurances have been obtained from the Dundee City Council and NHS Tayside auditors.</p> <p><b>Conclusion:</b> No issues identified in either of the assurances.</p>
<p>3 <b>Hospital acute services (set aside)</b></p> <p>The “set aside” budget is the IJBs share of the budget for delegated acute services provided by large hospitals on behalf of the IJB.</p> <p>The budget and actual expenditure reported for the “set aside” were equal in 2016/17: the amount set aside,</p>	<p>The IJB has been working with NHS Tayside to agree an appropriate mechanism (Scottish Government guidance provided to NHS Directors of Finance on this matter on 21 February 2018).</p>	<p>We engaged with officers to ascertain whether a robust mechanism was developed to quantify the IJBs set aside income and expenditure.</p> <p>We monitored Scottish Government guidance on the treatment of set aside in the 2017/18 financial statements to establish whether the financial statements are compliant.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>was based on 2014/15 activity levels and provided by NHS National Services Scotland's Information Services Division.</p> <p>There is a risk that the income and expenditure of the IJB is misstated due to the lack of current activity information.</p>		<p><b>Conclusion:</b> No issues were identified.</p>
<p><b>4 Annual Governance Statement and Management Commentary</b></p> <p>A number of disclosures required by extant guidance and Regulations had not been presented appropriately in the 2016/17 annual accounts. There is a risk that the accounts may not comply with current guidance and Regulations.</p>	<p>Officers will liaise with external audit to ensure requirements are met.</p>	<p>We reviewed the annual governance statement and management commentary against the requirements of relevant regulations and guidance.</p> <p><b>Conclusion:</b> No issues were identified, although there is scope for further improvement with the Management Commentary.</p>












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

<p><b>5 Financial sustainability</b></p> <p>NHS Tayside and Dundee City Council face significant financial pressures with challenging funding levels and increasing costs. Associated with this the IJB has not been able to develop financial projections beyond one year which can undermine the delivery of longer term objectives.</p> <p>Latest 2017/18 financial results reported in February 2018 (as at 31 December 2017) project an overspend of £2.3 million, mainly arising from the NHS Tayside related prescribing budget. Recent budget data indicates that further cost pressures are also emerging within the Dundee City Council related budgets.</p> <p>There is a risk that the IJB in partnership with NHS Tayside and Dundee City Council may not be able to identify and deliver sustainable savings measures or meet cost pressures as they arise.</p>	<p>Strong working relationships between the council and the health board.</p> <p>Regular financial monitoring and reporting to the IJB.</p> <p>Integration Joint Board Transformation Programme and associated infrastructure established in response to the financial challenges.</p>	<p>The latest financial budget position notes that there is a funding gap of £5.0 million for 2018/19. This is to be funded from the use of the general reserve of £2.337 million and £2.663 million of savings.</p> <p>The uncommitted General Reserve balance will fall short of the IJB's reserve policy. We have also reported that the IJB has yet to develop medium to long term financial plans.</p> <p><b>Conclusion:</b> We will continue to monitor the achievement of savings targets and the introduction of medium to long term financial plans as part of the audit process.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>6 <b>Demonstrating the delivery of Best Value</b></p> <p>The statutory duty of Best Value applies to all public bodies in Scotland. There is a risk that, the IJB is unable to demonstrate that it is meeting its statutory duty to deliver Best Value.</p>	<p>Integration Joint Board Transformation Programme also aims to identify where best value is not being delivered.</p>	<p>We considered the IJB's arrangements for demonstrating Best value arrangements.</p> <p><b>Conclusion:</b> We have recommended that mechanisms and reporting arrangements should be implemented to provide assurance to the Chief Officer and the Board that the IJB has arrangements in place to demonstrate that services are delivering Best Value. This has been included in Appendix 1, number 9.</p>

# Appendix 3

## Summary of national performance reports 2017/18

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

### Reports relevant to Integration Joint Boards

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

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

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

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

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



# Dundee City Integration Joint Board

## 2017/18 Annual Audit Report

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