

Dundee City Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

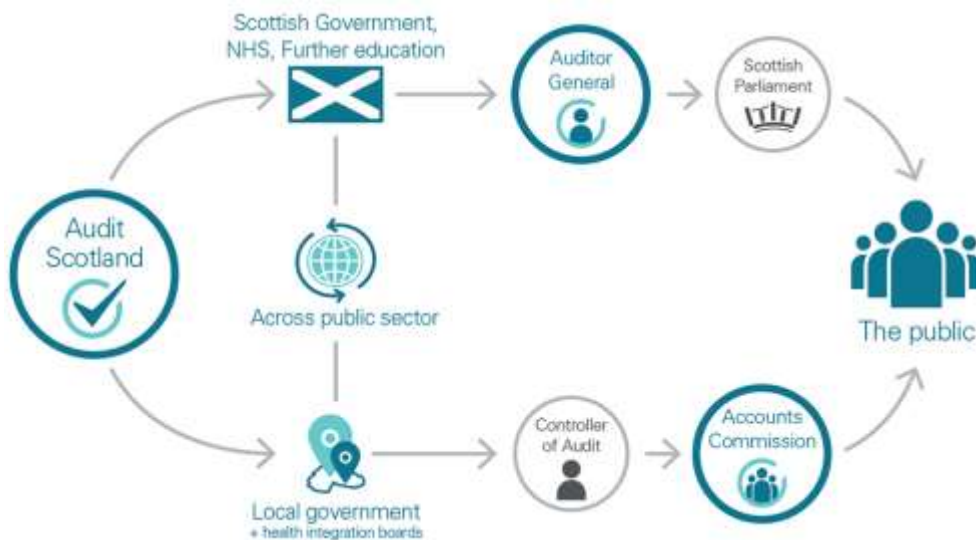
Prepared for Dundee City Integration Joint Board and the Controller of Audit

2 October 2019

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

2018/19 annual report and accounts

- 1 The financial statements of Dundee City Integration Joint Board (the IJB) give a true and fair view of the financial position for the year ended 31 March 2019.
- 2 The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Financial management and sustainability

- 3 The IJB incurred a deficit of £1.794 million, which was funded from reserves. The level of uncommitted reserves as at 31 March 2019 fell to £0.561 million (0.2% of its net expenditure) which is significantly below the IJB's approved reserves strategy of 2%.
- 4 Budget monitoring improved in 2018/19 but scope remains to develop monitoring reports to include information on performance against approved savings and transformation proposals.
- 5 The 2019/20 budget includes a funding shortfall of £5.936 million. Only £5.390 million of savings have been identified, of which £1.900 million is assessed as high risk of not being achieved. The projected outturn for 2019/20 is an overspend of £2.316 million.
- 6 The Board approved a Strategic and Commissioning Plan 2019-22 in March 2019 which projected further funding shortfalls of £3.208 million in 2020/21 and £3.274 million in 2021/22. The IJB has yet to develop medium to long term financial plans to demonstrate how it will fund the gap in the future.
- 7 Given the projected shortfall and the low level of reserves, the IJB may not be financially sustainable beyond the short term.

Governance, transparency and value for money

- 8 The IJB has governance arrangements in place that support the scrutiny of decisions by the Board and it demonstrates a commitment to transparency in the way it conducts its business.
- 9 The outcome of the Scottish Government Ministerial Strategic Group for Health and Community Care (MSG) self-evaluation shows that while some progress has been made, the IJB, in partnership with Dundee City Council and NHS Tayside, has a significant amount of work to do to improve and further establish its governance arrangements.
- 10 The IJB is not currently able to demonstrate that it is meeting its statutory Best Value duty.

Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of Dundee City Integration Joint Board (the IJB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the Performance and Audit Committee meeting on 25 March 2019. This report comprises the findings from our main elements of work in 2018/19 including:

- an audit of the IJB's 2018/19 annual accounts including issuing an independent auditor's report setting out my opinion
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in Exhibit 1.

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

Adding value through the audit

3. We add value to the IJB, through our audit, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

4. 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.

Responsibilities and reporting

5. 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. The IJB is 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. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements
- the suitability and effectiveness of corporate governance arrangements
- the financial position and arrangements for securing financial sustainability.

8. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at Appendix 1. It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £25,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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 in due course.

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 2018/19 annual accounts



Main judgements

Dundee City Integration Joint Board's financial statements give a true and fair view of the financial position for the year ended 31 March 2019.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

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.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the Performance and Audit Committee on 24 September 2019. We reported within the independent auditor's report that:

- the financial statements give a true and fair view of the financial position for the year ended 31 March 2019
- the audited part of the remuneration report, management commentary, and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

15. We have nothing to report in respect of misstatements in the information other than the financial statements, the adequacy of accounting records (with the exception of the item noted at paragraph 17 below) and the adequacy of information and explanations we received.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 26 June 2019 in line with our agreed audit timetable. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped to ensure that the audit process ran smoothly.

17. The financial ledger is the principle accounting record to support the annual accounts but had not been fully updated to reflect all accounting entries prior to the production of the annual accounts. Management rectified this prior to the completion of the audit.



Recommendation 1

The financial ledger should be fully updated in 2019/20 prior to the approval of the annual accounts.

Failure to comply with statutory regulations

18. IJBs are specified in legislation as 'section 106' bodies under the terms of the Local Government (Scotland) Act 1973. Consequently, IJBs are required to prepare their annual accounts in compliance with proper accounting practices as defined by section 12 of the Local Government in Scotland Act 2003 including the Code of Practice on Accounting for Local Authorities in the United Kingdom, mandatory guidance from LASAAC, and statutory guidance from the Scottish Government.

19. The Local Authority Accounts (Scotland) Regulations 2014 therefore apply to IJBs. They require the IJB's Performance and Audit Committee to approve the accounts for signature no later than 30 September and that the accounts be signed and dated by the Chief Officer and the IJB Chair immediately following the approval of the accounts.

20. It is the responsibility of the Chief Officer and the Chair to make arrangements for the accounts to be approved, signed and authorised for issue and a failure to do so is a breach of the regulations which is to be reported by the auditor.

21. We were informed that the Chief Officer was on leave and would not be attending the Performance and Audit Committee at which the accounts were being approved, signed and authorised for issue on 24 September 2019. We were also informed that he would not be available to sign the accounts until after 30 September 2019. As a result, the IJB failed to comply with the Local Authority Accounts (Scotland) Regulations 2014.



Recommendation 2

The arrangements for the approval of the accounts should be reviewed to ensure that all signatories are available to sign the accounts immediately after they are approved by the Performance and Audit Committee.

Risks of material misstatement

22. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively. Appendix 2 provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

23. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

Materiality

24. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

25. We carried out our initial assessment of materiality for the annual accounts during the planning phase of the audit. On receipt of the annual accounts we reviewed our planning materiality calculations. The revised materiality levels are summarised in Exhibit 2. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

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 ended 31 March 2019.	£2.622 million
Performance materiality: this acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of overall materiality.	£1.573 million
Reporting threshold: we are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.050 million

Source: Audit Scotland

How we evaluate misstatements

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

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

Communication of significant findings from the audit in accordance with ISA 260

28. International Standard on Auditing 260 (UK) requires us to communicate significant findings from the audit to those charged with governance. Two significant findings were identified during our audit and these are summarised in Exhibit 3.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Debtors balances</p> <p>Note 6 discloses the correct total debtors balance of £2.786 million. However, the balance related to NHS Tayside was understated by £1.837 million and the balance related to Dundee City Council was overstated by £1.837 million.</p>	<p>The audited accounts have been amended. The error had no impact on the general fund balance.</p>

Issue	Resolution
<p>2. Hospital acute services (set aside)</p> <p>The “set aside” budget is the IJB’s share of the budget for delegated acute services provided by large hospitals, on behalf of the IJB. Included within the total IJB’s net expenditure of £263.077 million is the £17.449 million of “set aside” costs.</p> <p>The budget and actual expenditure reported for the “set aside” are equal. The figure is based on 2016/17 activity levels for hospital inpatient and day case activity, provided by NHS National Services Scotland’s Information Services Division and adjusted to reflect 2018/19 costs.</p>	<p>For information only:</p> <p>The set aside calculation is a transitional arrangement agreed with the Scottish Government. The Comprehensive Income and Expenditure Statement correctly incorporates set aside costs.</p> <p>The Chief Finance Officer continues to work with NHS Tayside to develop a methodology to measure set aside more accurately. The reliability of this approach will be assessed during 2019/20.</p>

Source: Dundee City IJB Annual Accounts 2018/19

Follow up of prior year recommendations

29. The IJB has made slow progress in implementing our nine prior year audit recommendations. Progress with those recommendations together with revised responses and timescales have been agreed with management and are set out in Appendix 1.

Objections

30. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The IJB complied with the regulations. There were no objections to the accounts.

Part 2

Financial management and sustainability



Main judgements

The IJB incurred a deficit of £1.794 million, which was funded from reserves. The level of uncommitted reserves as at 31 March 2019 fell to £0.561 million (0.2% of its net expenditure) which is significantly below the IJB's approved reserves strategy of 2%.

Budget monitoring improved in 2018/19 but scope remains to develop monitoring reports to include information on performance against approved savings and transformation proposals.

The 2019/20 budget includes a funding shortfall of £5.936 million. Only £5.390 million of savings have been identified, of which £1.900 million is assessed as high risk of not being achieved. The projected outturn for 2019/20 is an overspend of £2.316 million.

The Board approved a Strategic and Commissioning Plan 2019-22 in March 2019, which projected further funding shortfalls of £3.208 million in 2020/21 and £3.274 million in 2021/22. The IJB has yet to develop medium to long term financial plans to demonstrate how it will fund the gap in the future.

Given the projected shortfall and the low level of reserves, the IJB may not be financially sustainable beyond the short term.

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

Financial management

31. The IJB is required by statute to make arrangements for the proper administration of its financial affairs and to appoint a "proper officer" to have "responsibility for the administration of those affairs" (section 95 of the Local Government (Scotland) Act 1973). For the IJB, that officer is the Chief Financial Officer (CFO). The IJB's CFO is responsible for ensuring that appropriate financial services are available to the Board and the Chief Officer. The CFO is suitably qualified for the role and has appropriate status within the IJB.

32. The IJB, in partnership with Dundee City Council and NHS Tayside, completed a self-evaluation against a report by the Scottish Government Ministerial Strategic Group for Health and Community Care (MSG) on the "Review of Progress with Integration of Health and Social Care", published in February 2019. The self-evaluation details 22 proposals and was approved by the Board on 25 June 2019 and was subsequently submitted to the Scottish Government.

33. One of the MSG proposals relates specifically to the CFO (S95 Officer). It specifies that "statutory partners must ensure appropriate support is provided to IJB S95 Officers". The assessment against this proposal states that there are concerns about the level and adequacy of support being provided to the

Partnership and that the current challenges in relation to the level and adequacy of support provided to the CFO is impacting on his ability to provide appropriate support to operational managers in relation to transformation and financial forward planning, as well as the support available to Strategic Planning Groups to implement a strategic commissioning approach.

34. Consequently, the following priority areas for improvement have been identified by the IJB and its partners, to address these issues:

- agreeing a more formal statement of the expected level of support from each statutory partner to the IJB
- NHS Tayside to streamline and further strengthen finance resources to support the CFO through a restructure of the NHS Tayside finance team.

35. Whilst we can conclude that the CFO is suitably qualified and has the appropriate status within the IJB, he may be unable to fully fulfil his statutory role if the priority areas for improvement are not delivered by the IJB and its partners.

Financial performance in 2018/19

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

37. The IJB incurred net expenditure of £263.077 million in 2018/19 against a revised budget of £261.283 million. The budget had been revised by £11.601 million, which was funded by additional funding of £4.820 million from Dundee City Council and £1.254 million from NHS Tayside and £5.527 million from the Scottish Government for NHS related services.

38. The IJB reported a year end overspend of £1.794 million for 2018/19, mainly arising from an underlying deficit of £3.630 million in social care budgets, net of an underlying surplus of £1.836 million in NHS budgets.

39. In line with the IJB risk sharing agreement within the Integration Scheme, from 2018/19 any residual overspend at the year-end, after the implementation of a recovery plan, is to be met in the first instance from reserves. The use of the reserve in 2018/19 is consistent with the approved 2018/19 financial plan and resulted in a decrease in the IJB's general reserve of £1.794 million. This sum was below the amount included for the use of reserves of £2.337 million that had been included in the IJB's approved budget.

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.

Financial planning and sustainability

40. In our previous annual audit reports, we highlighted the importance of a medium to long term financial plan to support longer term planning for the IJB.

41. The Board approved a Strategic and Commissioning Plan 2019-22 in March 2019, which projected funding shortfalls for the three year period. Funding gaps are currently projected as £5.936 million for 2019/20, £3.208 million for 2020/21 and £3.274 million for 2021/22. The IJB has yet to develop medium to long term financial plans to demonstrate how it will fund future funding gaps.



Recommendation 3

A long-term financial strategy (5 years or more) supported by clear and detailed financial plans (3 years or more) should be 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 include scenario planning.

42. The 2019/20 budget was initially considered by the IJB at its March 2019 meeting, based on the formal delegated budget from Dundee City Council and an indicative budget from NHS Tayside. In June 2019, the IJB was able to approve its 2019/20 budget, after it was provided with NHS Tayside's formal budget offer.

43. The IJB funding at June 2019 is confirmed at £235.9 million, £77 million from Dundee City Council and £158.9 million from NHS Tayside. The amount from NHS Tayside excludes hosted services and the set aside for acute hospital sites, for which the values are to be confirmed by NHS Tayside.

44. Of the £5.936 million funding gap for 2019/20, £5.390 million is proposed to be funded from savings, leaving a shortfall of £0.546 million for which funding has yet to be agreed. The Board were advised that it was not proposed to use reserves to support 2019/20 budget overspends but that this may require to be revisited.

Efficiency savings

45. The IJB is required to make efficiency savings to maintain financial balance. As noted above, the 2019/20 savings target is identified as £5.390 million.

46. the IJB has identified the potential savings for 2019/20 but has reported that £1.900 million are assessed as a high risk that they will not be delivered and £0.932 million as medium risk. There is a significant risk that the IJB will not deliver against the 2019/20 savings target. The IJB has also reported that the risk of not achieving the required savings for 2020/21 and 2021/22 is increasing.

47. The IJB reports changes to the risk profile of savings to members but does not report on the savings achieved and whether delivery is on track.



Recommendation 4

The position of the achievement of savings proposals and the impact on the transformation programme should be regularly reported to members.

Reserves strategy

48. Dundee City IJB has a reserves policy of carrying forward reserves of up to 2% of net expenditure. The policy was approved by the Board in April 2017.

49. The IJB's general reserve balance reduced by £1.794 million in 2018/19, from £4.560 million to £2.766 million. The IJB has committed £2.205 million of its general reserve for integration and transformation purposes: £1.505 million is committed against ring-fenced Scottish Government funding and £0.700 million against previously approved business cases to support transformation (organisational change) activities.

50. This leaves an uncommitted reserve of £0.561 million carried forward to 2019/20. This level of uncommitted reserves is 0.2% of the IJB's net expenditure, which is low compared to the IJB's policy of holding reserves of up to 2%. The

2019/20 final budget report submitted to the Board in June 2019 recognised that after consideration of ring-fenced Scottish Government funding and funding already committed, there is little flexibility available to the IJB during 2019/20 to meet unexpected pressures or for further transformational change.

51. In August 2019 the Board considered a 2019/20 financial monitoring report which forecast a projected overspend of £2.316 million. Officers are assessing a recovery plan which will include a number of actions to reduce expenditure. The implications of these actions are to be reported to the October 2019 Board meeting, including options around the use of the remaining general fund reserve.

52. The current financial position and the potential need to use general reserves to fund current services leads us to conclude that there is significant uncertainty over the financial sustainability of the IJB.

EU Withdrawal

53. The impact of EU withdrawal may have positive or negative effects on the IJB in terms of the delivery of its services. Operational risks remain with the IJB's partner organisations. The risks entailed by EU withdrawal are not included in the IJB's strategic risk register but continue to sit with the partner bodies.



Recommendation 5

The risks arising from EU withdrawal should be included in the IJB's strategic risk register and, as commissioning authority, the IJB should seek to ensure, that satisfactory arrangements have been put in place by partner bodies to manage potential risks.

Part 3

Governance, transparency and Best Value



Main judgements

The IJB has governance arrangements in place that support the scrutiny of decisions by the Board and it demonstrates a commitment to transparency in the way it conducts its business.



The outcome of the Scottish Government Ministerial Strategic Group for Health and Community Care (MSG) self-evaluation shows that while some progress has been made, the IJB, in partnership with Dundee City Council and NHS Tayside, has a significant amount of work to do to improve and further establish its governance arrangements.

The IJB is not currently able to demonstrate that it is meeting its statutory Best Value duty.

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.

Governance arrangements

54. The IJB's 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.

55. 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.

56. The Board is supported by the Performance and Audit Committee and a number of groups including the Clinical, Care and Professional Governance Group and the Integrated Strategic Planning Group.

57. There has been significant change in the Board and the Performance and Audit Committee membership over the last year. We attended meetings of the Board and the Performance and Audit Committee to observe how they perform and have concluded that members continue to provide an appropriate level of scrutiny.

58. In September 2018, the Performance and Audit Committee received its first Chair's Assurance Report from the Clinical, Care and Professional Governance Group (CCPG). This was followed by a similar report to the Committee in February 2019. This is an important development in terms of providing assurance to the Performance and Audit Committee and to the Board. No CCPG Assurance Reports

were provided to the March 2019 or May 2019 Performance and Audit Committee meetings.

59. Although we would not expect an assurance report would necessarily be presented to the March 2019 meeting, we would expect a further report to be presented in August 2019.



Recommendation 6

Chair's Assurance Report from the Clinical, Care and Professional Governance Group should be presented to the Performance and Audit Committee on a regular basis.

60. We also noted that the registered medical practitioner providing primary care, a non-voting member of the IJB, has been unable to attend the majority of meetings in the last year. This position is a mandatory appointment and plays an important role in the operation of the IJB.



Recommendation 7

The IJB should liaise with NHS Tayside and consider the arrangements for regular attendance by a member appointed as the registered medical practitioner providing primary care.

61. 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. The IJB Chief Officer will be retiring in December 2019.

Improvement agenda

62. Audit Scotland's publication *'Health and Social Care Integration - Update on Progress'* (November 2018) set out areas which need to be addressed if integration is to make a meaningful difference to the people of Scotland. The findings in this Audit Scotland report were considered by the Scottish Government Ministerial Strategic Group for Health and Community Care (MSG) who produced a further report on the "Review of Progress with Integration of Health and Social Care" which was published in February 2019. Following the February 2019 report the MSG issued a template for IJBs to self-evaluate their arrangements against.

63. The self-evaluation covers the key features required to support integration, including collaborative leadership, integrated finances, strategic planning for improvement, governance and accountability arrangements, information sharing and meaningful and sustained engagement. Twelve areas were assessed as 'Established' and ten as 'Partly Established'. None were assessed as 'Not Yet Established' or 'Exemplary'. Proposed improvement actions were identified against all criteria.

64. The IJB has committed to take a lead role, through its Integrated Strategic Planning Group, to work with Dundee City Council and NHS Tayside to identify specific arrangements and resources to support the progression of the MSG areas for improvement.

65. The outcome of the MSG self-evaluation shows that while some progress has been made, there is a significant amount of work to do to make integration a

success. The ten areas noted as being 'partly established' where the most improvement action is required are:

- relationships and collaborative working between partners must improve
- delegated budgets for IJBs must be agreed timeously
- delegated hospital budgets and set aside budget requirements must be fully implemented
- statutory partners must ensure appropriate support is provided to IJB S95 Officers
- statutory partners must ensure that Chief Officers are effectively supported and empowered to act on behalf of the IJB
- improved strategic planning and commissioning arrangements must be put in place
- improved capacity for strategic commissioning of delegated hospital services must be in place
- the understanding of accountabilities and responsibilities between statutory partners must improve
- accountability processes across statutory partners will be streamlined
- effective, coherent and joined up clinical and care governance arrangements must be in place.

66. The IJB also has a number of other significant improvements activities some of which have been reported in the 2018/19 Annual Accounts, including:

- clarification of deputising arrangements for the Chief Officer to be presented to the IJB
- further development of the IJB's Local Code of Governance
- an update of the IJB's Participation and Engagement Strategy
- risk management including updating the risk management strategy, streamlining risk registers to prevent duplication and agree reporting arrangements and schedules
- strengthening governance arrangements around the IJB's Transformation Programme.

67. Whilst it is recognised that the IJB has demonstrated a commitment to deliver on its various improvement actions, the IJB continues to experience significant delays in its ability to implement its improvement agenda. The IJB has previously recognised that delays have been primarily due to resource capacity and the impact of other priorities across the wider partnership. This has been further emphasised and documented through the MSG self-evaluation process.

68. The successful and timeous implementation of the improvement actions is fundamental to the sustainability of the IJB. A progress report is scheduled to be presented to the Board by December 2019. We will monitor progress as part of our 2019/20 audit.

Openness and transparency

69. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

70. There is evidence from a number of sources which demonstrate the IJB's commitment to transparency. All 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 and Committee papers and minutes of meetings.

71. In our 2017/18 annual audit report we reported that the IJB could improve its current arrangements whereby meeting minutes should be expanded to reflect discussions as well as recording decisions taken at Board and Committee meetings. The IJB is considering how best to implement this.

Risk management

72. In September 2018 internal audit reported on a Risk Maturity Review of the IJB. Internal audit noted that the IJB was developing its Risk Management arrangements. The IJB were commended for the progress made with its arrangements, however a number of recommendations for improvement were also reported and an action plan developed, which is planned to be complete by December 2019.

73. Until risk management arrangements are fully developed and embedded in the organisation there is a risk that exposure to risks may not be highlighted and mitigated through management controls.

Internal audit

74. 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. The Chief Internal Auditor of FTF Audit and Management Service (FTF) is the Chief Internal Auditor for the IJB. Dedicated resources for the IJB audit are drawn from both FTF and Dundee City Council's internal audit section.

75. 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.

76. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2018/19 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, we considered internal audit report findings as part of our wider dimension work.

77. There continues to be slippage in reporting on internal audit work to the Performance and Audit Committee. Two reports covering Information Governance and a review of Finance were scheduled for presentation to the July 2019 Committee and one, Governance and Assurance (assurance mapping), for the September 2019 Committee. These target dates have not been met due to a variety of factors including difficulties in obtaining information from management for the Information Governance review, delays in agreeing the finalised assignment plan for the Finance review and an informed decision to delay the assurance mapping to tie in with similar work at NHS Tayside. The reports are now scheduled to be presented to the Committee in November 2019.



Recommendation 8

Management should review the interaction with internal audit to ensure that all planned internal audit work is completed timeously.

Implementation of improvement actions

78. Since March 2019 a Governance Action Plan progress report has been presented to the Performance and Audit Committee. Recommendations made by internal audit and other inspectorates are recorded on the progress report but other improvement action plans are excluded e.g. internal improvement plans, external audit recommendations.



Recommendation 9

The Governance Action Plan progress report should be further developed to include all improvement action plans.

Systems of internal control

79. The IJB relies on Dundee City Council and NHS Tayside for its key financial systems such as the ledger and payroll and the financial information used for budget setting and financial monitoring purposes.

80. As part of our audit approach we received assurances from the external auditor of Dundee City Council and NHS Tayside (in accordance with International Standard on Auditing ISA 402). We concluded there were no significant weaknesses in the internal controls of the main financial systems which would impact on the IJB.

Standards of conduct and arrangements for the prevention and detection of fraud and error

81. 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. Based on our review of these arrangements we concluded that the IJB has effective arrangements in place for the prevention and detection of corruption.

82. Each partner body also has a code of conduct for members and staff, which sets out the standards expected in undertaking their duties and each partner body has its own arrangements for the prevention and detection of fraud.

83. We are not aware of any issues we require to bring to your attention in respect of standards of conduct or the prevention and detection of fraud.

IJBs have a duty to secure Best Value through continuous improvement and using resources effectively.

Best Value

84. Integration Joint Boards have a statutory duty to make arrangements to secure Best Value. Exhibit 4 sets out the eight themes used by Audit Scotland in assessing how well a body is discharging its duty of Best Value.

Exhibit 4

Best Value themes

Best Value		
Community Responsiveness	Performance, outcomes and improvement	Sustainability and Fairness
Partnership and Collaborative Working		Effective Use of Resources
Governance and Accountability	Vision and Leadership	Equality

Source: Audit Scotland

85. We reported in our 2017/18 annual audit report that while there is evidence of elements of Best Value being demonstrated by the IJB, there is no mechanism for formal review. We 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.

86. This is an area that requires development by the IJB. The IJB plans to liaise with other IJBs regarding their Best Value reporting processes before introducing its own arrangements by 2020.

Performance management

87. The Performance and Audit Committee receives quarterly performance reports setting out details of performance against the Scottish Government's nine National Health and Wellbeing outcomes and against the IJB's six high level service delivery areas (emergency admissions, emergency bed days, accident and emergency, delayed discharges, balance of care and end of life).

88. The MSG self-evaluation articulates that "there are significant challenges in properly analysing the effectiveness of strategic planning and commissioning arrangements. There is an overall lack of capacity within support services to properly evaluate the impact of strategic plans on performance and to link this to financial performance."

89. The MSG self-evaluation further reports that "there are specific risks in relation to the overall capacity and resilience of capacity in relation to information collection, collation and analysis and wider self-evaluation activities" and that "the resources available are focused on statutory functions, such as production of the

Annual Performance Report and completion of annual returns. Whilst there is a clear understanding of gaps in current performance analysis and reporting and some progress has been made to address priority areas, current resources do not allow significant progress to be made at pace.”

90. Work is currently ongoing to revise the function of the Partnership's Strategy and Performance Team to ensure robust support for core functions, including the Integrated Strategic Planning structure, transformation programme and statutory planning requirements.

Annual performance report

91. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including assessing performance in relation to national health and wellbeing outcomes, financial performance and Best Value, reporting on localities, inspection of services, and a review of the strategic commissioning plan.

92. The Board approved the publication of the 2018/19 Annual Performance Report on 25 June 2019. We have reviewed the Annual Performance Report for 2018/19 and identified that it largely complies with the prescribed content set out in The Public Bodies (Joint Working) (Scotland) Act 2014 (Content of Performance Reports) (Scotland) Regulations 2014. The main exceptions are around:

- fuller assessment of performance in relation to Best Value
- financial analysis of the amount spent by localities.

93. The annual performance report details the IJB's performance against the nine National Health and Wellbeing outcomes, using 23 national indicators. The report shows 2018/19 data was available for only 8 of the national indicators. For indicators 1-9, the data is updated every two years and is due to be repeated in 2019-20.

94. For the 8 indicators with 2018/19 data, 5 have worsened compared to the 2015/16 baseline and 3 have improved. Currently there is no 2018/19 Scotland wide data to compare the IJB's performance against.

95. The annual performance report also references statutory inspections of services delivered directly by the partnership. In 2018/19 12 inspections were reported relating to the partnership, with 1 graded excellent, 3 excellent/very good, 1 as good/adequate and the remainder in the good to very good categories.

Strategic and Commissioning Plan 2019-22

96. The Board approved the 2019-22 Strategic and Commissioning Plan in March 2019. The plan was developed following a consultation process with key partners and stakeholders involving briefing sessions, consultation events across the localities and an on-line survey. The plan identifies four strategic priorities, linked to the Scottish Government's nine health and wellbeing outcomes, which set out the overall strategy for the partnership and the actions needed to deliver them. These are:

- health inequalities
- early intervention prevention
- localities and engaging with communities
- models of support / pathways of care.

97. The 2019-22 Plan notes that the number of strategic priorities has reduced over time, reflecting the progress made by the IJB over the past two years. It also notes that the refreshed strategic priorities maintain focus on moving resources from hospitals to community-based care, in order to provide easily accessed, more personal support, closer to home. The 2019-20 plan acknowledges that the next three years will continue to be financially challenging and that the IJB needs to focus its resources in a more targeted way.

98. The IJB plans to monitor progress of the Plan on an ongoing basis, and will report, through its Integrated Strategic Planning Group, to the Board and its partners.

99. The IJB has already recognised through the MSG self-evaluation that there are significant challenges in properly analysing the effectiveness of strategic planning and commissioning arrangements. We will continue to monitor progress in 2019/20.

National performance audit reports

100. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of direct interest to the board as outlined in Appendix 3.

101. Although it is aware of any relevant national reports, the IJB does not have a formal arrangement in place for their consideration and review including any locally agreed actions. Consideration should be given to how this process is formalised, including reporting to either the Performance and Audit Committee or the Board.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial accounting records</p> <p>The financial ledger had not been fully updated to reflect all accounting entries prior to the production of the annual accounts.</p> <p>Risk</p> <p>Accounting records may not include all the transactions and balances to reflect a true and fair view of the IJB's accounts.</p>	<p>The financial ledger should be fully updated in 2019/20 prior to the approval of the annual accounts.</p> <p>Paragraph 17</p>	<p>We will ensure the financial ledger is fully updated to reflect all accounting entries prior to the approval of the annual accounts</p> <p>Responsible officer: Chief Finance Officer (CFO).</p> <p>Agreed date: June 2020.</p>
2	<p>Failure to comply with statutory regulations</p> <p>The Chief Officer was on leave until after 30 September 2019. As a result, the accounts were not signed, approved and authorised for issue until after the statutory date set out in the Local Authority Accounts (Scotland) Regulations 2014.</p> <p>Risk</p> <p>The IJB are not complying with statutory regulations.</p>	<p>The arrangements for the approval of the accounts should be reviewed to ensure that all signatories are available to sign the accounts immediately after they are approved by the Performance and Audit Committee.</p> <p>Paragraph 21</p>	<p>We will review the arrangements for the availability of the Officers required to sign the accounts to ensure the accounts are signed immediately after they are approved by the Performance and Audit Committee.</p> <p>Responsible officer: Chief Officer (CO).</p> <p>Agreed date: September 2020</p>
3	<p>Medium to long term financial plans</p> <p>The Board approved a Strategic and Commissioning Plan 2019-22 in March 2019, which projected funding shortfalls for the three year period. The IJB has yet to develop medium to long term financial plans to demonstrate how it will fund future funding gaps.</p> <p>Risk</p> <p>The IJB may not be planning adequately over the medium to long term to manage or</p>	<p>A long-term financial strategy (5 years or more) supported by clear and detailed financial plans (3 years or more) should be 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 include scenario planning.</p>	<p>We will build on the three year financial framework developed during 18/19, which sets out the estimated resources and anticipated increase in expenditure from rising demand and costs of providing services. We will continue to work with partner bodies to align longer term financial planning processes and the development of long- term financial strategy on how to close the gap between funding and service provision.</p> <p>Responsible officer: CFO.</p>

	respond to significant financial risks.	Paragraph 41	Agreed date: March 2020.
4	<p>Savings reporting</p> <p>The IJB reports changes to the risk profile of savings but does not report to members on the savings achieved and whether delivery is on track.</p> <p>Risk</p> <p>Members may not be fully aware of the impact of not delivering savings.</p>	<p>The position of the achievement of savings proposals and the impact on the transformation programme should be regularly reported to members.</p> <p>Paragraph 47</p>	<p>Reports on savings progress and the impact on the transformation programme to be presented regularly to members.</p> <p>Responsible officer: CFO.</p> <p>Agreed date: October 2019.</p>
5	<p>EU withdrawal</p> <p>The risks entailed by EU withdrawal are not included in the IJB's strategic risk register but continue to sit with the partner bodies.</p> <p>Risk</p> <p>The IJB may not be adequately mitigating risks to its operation arising from EU withdrawal.</p>	<p>The risks arising from EU withdrawal should be included in the IJB's strategic risk register and, as commissioning authority, the IJB should seek to ensure, that satisfactory arrangements have been put in place by partner bodies to manage potential risks.</p> <p>Paragraph 53</p>	<p>We will work with partner bodies to obtain assurance that satisfactory arrangements have been put in place by partner organisations to manage the potential risks arising from EU withdrawal. We will reflect the outcome in the strategic risk register.</p> <p>Responsible officer: CFO.</p> <p>Agreed date: November 2019.</p>
6	<p>Clinical, Care and Professional Governance Group Assurance Reports</p> <p>In September 2018, the Performance and Audit Committee received its first Chair's Assurance Report from the Clinical, Care and Professional Governance Group. No CCPG Assurance Reports were provided to the March 2019 or May 2019 Performance and Audit Committee meetings.</p> <p>Risk</p> <p>The Board does not have complete and sufficient assurances on clinical care governance.</p>	<p>Chair's Assurance Report from the Clinical, Care and Professional Governance Group should be presented to the Performance and Audit Committee on a regular basis.</p> <p>Paragraph 59</p>	<p>To be included on PAC agendas as appropriate, depending on timing of Clinical, Care and Professional Governance group meetings.</p> <p>Responsible officer: Clinical Director/Head of Service Health and Community.</p> <p>Agreed date September 2019.</p>
7	<p>Board attendance</p> <p>The registered medical practitioner providing primary care, a non-voting member of the IJB, has been unable to attend the majority of meetings in the last year.</p> <p>Risk</p> <p>Appropriate professional care expertise may not be considered by the Board.</p>	<p>The IJB should liaise with NHS Tayside and consider the arrangements for regular attendance by a member appointed as the registered medical practitioner providing primary care.</p> <p>Paragraph 60</p>	<p>NHS Tayside Board is responsible for appointing the role of registered medical practitioner providing primary care to the IJB. This issue has been noted by the IJB and the Clerk to the Board will formally write to the Chair of NHS Tayside Board on this issue.</p> <p>Responsible officer: Clerk to the Board.</p> <p>Agreed date: December 2019.</p>

8	<p>Internal audit</p> <p>There continues to be slippage in reporting on internal audit work to the Performance and Audit Committee.</p> <p>Risk:</p> <p>Members may not be able to scrutinise key risk areas timeously if internal audit reports are delayed.</p>	<p>Management should review the interaction with internal audit to ensure that all planned internal audit work is completed timeously.</p> <p>Paragraph 77</p>	<p>The deliverability of the IJB's Annual Internal Audit Plan to be assessed with the Chief Internal Auditor following consideration of available internal audit resources.</p> <p>Responsible officer: CFO.</p> <p>Agreed date: December 2019</p>
9	<p>Action plan progress report</p> <p>Since March 2019 a Governance Action Plan progress report has been presented to the Performance and Audit Committee. The report does not include all improvement action plans.</p> <p>Risk</p> <p>The commitments set out in the IJB's Strategic Commissioning Plan may not be delivered timeously if improvement actions are not delivered within the agreed timescales.</p>	<p>The Governance Action Plan progress report should be further developed to include all improvement action plans.</p> <p>Paragraph 78</p>	<p>We will further develop the Governance Action Plan to include all improvement action plans.</p> <p>Responsible officer: CFO.</p> <p>Agreed date: November 2019.</p>

Follow up of prior year recommendations

PY1	<p>Public Notice of Accounts</p> <p>The IJB must give public notice of the right of interested persons to inspect and object to its accounts in accordance with The Local Authority Accounts (Scotland) Regulations 2014. This public notice must be given no later than 17 June immediately following the financial year to which the accounts relate. The public notice was uploaded to the IJB's website on 20 June 2017, 3 days after the latest date allowable under the statutory regulations.</p> <p>Risk</p> <p>The IJB may be open to legal challenge if it does not comply with regulations.</p>	<p>The joint board should ensure the public notice is made available on the website within the timeframe allowable under the 2014 regulations.</p>	<p>Fully implemented.</p>
PY2	<p>Budget setting</p> <p>The 2018/19 provisional budget was submitted to the Board in March 2018, but the budget was not approved until August 2018. This was due to</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>Partly actioned: The 2019/20 IJB budget was approved on 25 June 2019 after receipt of NHS Tayside's final budget offer. This remains late in the year for approval of a budget.</p>

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.

Risk

Without an agreed budget, excessive costs may not be contained.

Revised action: An indicative NHS Budget was provided at the IJB budget meeting of 30th March 2019. The final budget from NHS Tayside was consistent with the indicative budget.

We will continue to work with partner bodies to align budget setting processes as far as practicable.

Responsible officer: CFO.

Revised date: March 2020.

PY3 Budget monitoring

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.

Risk

Members may not be sufficiently informed to effectively scrutinise the IJB's financial performance.

Budget monitoring processes should be amended to include:

- explanations within monitoring reports to members in relation to changes to the approved budget
- monitoring reports on the final out-turn for the year.

Partly actioned: an outturn monitoring report was considered at the June 2019 Board meeting. However, the budget monitoring reports have not been developed to include explanations in relation to changes to the approved budget.

Revised action: Budget monitoring reports to be developed as suggested during 2019/20.

Responsible officer: CFO.

Revised date: March 2020.

PY4 Budget and performance monitoring arrangements

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.

Risk

Members may not be fully sighted on the impact of budget variances on service performance.

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.

Not yet actioned: the IJB has not implemented this action.

Revised action: We will continue to explore options on how to combine financial and performance reporting in a format which provide useful information to users.

Responsible officer: CFO.

Revised date: March 2020.

PY5 Transformation and efficiency savings

Detailed updates on the IJB's transformation programme and associated efficiency savings are not reported to the Board on a regular basis.

Risk

Transformation and savings may not be delivered in

The IJB should develop a formal mechanism to demonstrate how transformation is being achieved and planned efficiency savings are being met.

Partly actioned: The 2019/20 monitoring reports now include information on the risk profile of proposed savings. The reporting requires to be further developed to provide outturn against the savings plans and updates on progress with the transformation programme.

Carried forward to action 3 above.

accordance with decisions taken by the Board.

PY6	Medium to long term financial plans	<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>Not actioned: The IJB has not developed medium to longer term financial plans as part of its financial planning process.</p> <p>Carried forward to action 2 above.</p>
	<p>There are no medium to long term financial plans in place. Audit Scotland is encouraging organisations to develop medium and long-term financial plans including IJBs.</p>		
	<p>Risk</p> <p>The IJB may not be planning adequately over the medium to long term to manage or respond to significant financial risks.</p>		
PY7	Reserve balances	<p>The IJB should review its reserves to ensure they are adequate.</p>	<p>Partly actioned: Management has reviewed the IJB's reserve level as agreed, however the financial position is such that reserves have been significantly depleted in 2018/19. Further consideration is required in 2019/20.</p> <p>Revised action: Reserves can only be accumulated through year end surpluses of funding. We will ensure robust budgeting, monitoring of identified savings and financial monitoring processes are in place to identify opportunities to enhance reserves position.</p> <p>Responsible officer: CFO.</p> <p>Revised date: March 2020.</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>Risk</p> <p>A low level of uncommitted reserves reduces the IJB's capacity to respond to emerging risks and cost pressures and fund tests of change and transformation activities.</p>		
PY8	Transparency	<p>The IJB should:</p> <ul style="list-style-type: none"> • review its processes for minute taking. • publish the register of interests covering Board members and senior management on the IJB's website. 	<p>Partly actioned: IJB register of interests is now published on the IJB website. The IJB is considering how to improve minute taking to reflect discussion at meetings.</p> <p>Revised action: Further development of the IJB and PAC minutes and papers to ensure full transparency and accurate recording of the discussions, questions asked and assurances provided.</p> <p>Responsible officer: Chief Officer/ CFO/ Clerk to the Board.</p> <p>Revised date: December 2019.</p>
	<p>Some areas have been identified where the IJB could improve current arrangements for transparency. These include improved minute taking to reflect the discussions at meetings and publication of the register of interests of Board members and senior management on the IJB's website.</p>		
	<p>Risk</p> <p>Decisions of the Board may not be transparent.</p>		
PY9	Best Value	<p>Mechanisms and reporting arrangements should be</p>	<p>Not actioned: the IJB is yet to finalise how it will formally</p>

While there is evidence of elements of Best Value being demonstrated by the IJB, there is no mechanism for formal review to provide assurance to the Chief Officer and the Board.

Risk

The IJB may not be able to demonstrate that it is meeting its Best Value obligations.

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.

provide Best Value assurance to the Chief Officer and the Board.

Revised action: Further learning from other IJB's reporting with regards to Best Value to be gained and considered for reflection in the 2019/20 Annual Performance Report.

Responsible officer: CFO.

Revised date: June 2020.

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 report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Going concern basis of accounting</p> <p>The most recent financial monitoring report (for the period to 31 December 2018) shows a net projected overspend of £0.17 million. This is after implementing financial recovery plans of £3 million. Recovery plans include the use of usable reserves which will significantly reduce the balance, with an uncommitted balance of £0.83 million projected as at March 2019. This level is not in line with the IJB's reserves policy which sets out a level of 2% of net expenditure, (approximately £5 million) as an adequate general reserves level.</p> <p>There are currently no medium-long term financial plans in place to demonstrate how the IJB will secure the financial sustainability of its services in the future.</p> <p>There is a risk to the long-term financial sustainability of the IJB (see risk 7 below) and to the continuing presentation of the annual accounts on a going concern basis.</p> <p>The IJB will need to demonstrate that the going concern basis of accounting is appropriate for the 2018/19 annual accounts.</p>	<p>Review the CFO's evidence and assurances to support the going concern assumption for the 2018/19 annual accounts.</p> <p>Review ongoing budget monitoring reports to ensure they accurately reflect the position of the partnership.</p> <p>Review of the IJB's yearend position.</p> <p>Review of the IJB's recovery plan.</p>	<p>The 2018/19 annual accounts are prepared on a going concern basis. We have monitored the financial position during the year and at the year end and consider that it is appropriate to prepare the 2018/19 annual accounts on a going concern basis.</p> <p>Further comments on financial sustainability is covered at paragraph 40.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2 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 to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Service auditor assurances will be obtained from the auditors of Dundee City Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>No instances of management override of controls were identified.</p> <p>All journals and significant transactions tested (including accruals) were found to be appropriate.</p> <p>Sources of accounting estimates were reviewed and found to be without management bias.</p> <p>We reviewed transactions for the year. No significant transactions were identified that are outside the normal course of the Joint Board's business.</p> <p>Satisfactory assurances obtained from the Dundee City Council and NHS Tayside auditors.</p>
<p>3 Risk of fraud over expenditure</p> <p>The Code of Audit Practice requires us to cover the risk of fraud over expenditure. The expenditure of the IJB is processed through the financial systems of Dundee City Council and NHS Tayside. There is a risk that non IJB related expenditure is incorrectly posted to IJB account codes.</p>	<p>Obtain assurances from the auditors of Dundee City Council and NHS Tayside over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</p>	<p>No significant issues were found in relation to controls in place across the key financial systems.</p> <p>From a review of expenditure transactions during the year, no issues were highlighted in relation to the risk of fraud over expenditure.</p>
<p>4 Accounting for Integration of Health and Social Care guidance</p> <p>In 2017/18, the annual accounts did not initially comply with the accounting requirements for the use of reserves. The annual accounts were subsequently amended to correct this error.</p> <p>LASAAC (The Local Authority (Scotland) Accounts Advisory Committee) plans to issue updated mandatory accounting guidance for IJB 2018/19 annual accounts which will include guidance on the use of reserves. There is a risk that the IJB's accounts do not comply with the mandatory guidance.</p>	<p>Review of the 2018/19 annual accounts against the requirements of the LASAAC guidance.</p>	<p>The use of reserves were properly accounted for in 2018/19 in accordance with the LASAAC mandatory guidance.</p>
<p>5 Hospital acute services (Set Aside)</p>	<p>Engage with officers to ensure that a robust mechanism has been developed to quantify</p>	<p>The 2018/19 set aside figure was calculated in accordance with extant guidance. The Chief</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The “set aside” budget is the IJB’s share of the budget for delegated acute services provided by large hospitals on behalf of the IJB.</p> <p>The budget and actual expenditure reported for the “set aside” were equal in 2017/18. The figure was estimated based on 2016/17 data and activity levels 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 in 2018/19 due to the lack of current activity information.</p> <p>There is also a risk that the sum set aside recorded in the annual accounts will not reflect actual hospital use in the 2018/19 accounts.</p>	<p>the IJB’s set aside income and expenditure.</p> <p>Monitor Scottish Government guidance on the treatment of set aside in the 2018/19 financial statements to establish whether the financial statements are compliant.</p>	<p>Finance Officer is working with NHS Tayside to develop a methodology to provide a more robust estimate of set aside.</p>

<p>6 Compliance with the Local Authority Accounts (Scotland) Regulations 2014</p> <p>The IJB must give public notice of the right of interested persons to inspect and object to its accounts no later than 17 June immediately following the financial year to which the accounts relate. For 2017/18, the notice was uploaded to the IJB’s website on 20 June 2018, three days after the latest date allowable under the statutory regulations. There is a risk that the 2018/19 annual accounts will not meet the requirements of the 2014 accounts regulations.</p>	<p>Review of the IJB’s website to ensure the statutory deadline for the public notice of the accounts is met.</p>	<p>Public notice published in line with statutory requirements.</p>
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Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>7 Financial sustainability</p> <p>The IJB continues to face significant financial pressures with challenging funding levels and increasing costs. The 2018/19 financial monitoring position report (for the period to December 2018) shows a net projected overspend of £0.17 million after applying financial recovery plans which will reduce reserves considerably.</p>	<p>Review ongoing budget monitoring and progress made on meeting savings targets and dealing with cost pressures.</p> <p>Review of the IJB’s recovery plan agreed with Dundee City Council and NHS Tayside.</p> <p>Monitor the progress with the Transformation Programme.</p>	<p>We have monitored the financial position and consider the IJB to be financially sustainable in the short term if it achieves its 2019/20 financial plan. The IJB may not be financially sustainable beyond the short term.</p> <p>Further comments on financial sustainability, including the need to develop medium to long-term financial plans, savings targets</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>Medium to long-term financial plans have yet to be developed to demonstrate how the IJB will secure the financial sustainability of its services in the future.</p> <p>The IJB's Transformation Programme is key to achieving long term affordable and effective service delivery in line with the principles of integration, however internal audit in a report on the transformation programme, has assessed the audit as a category D (there is an increased risk that objectives may not be achieved). There is a risk that the transformation programme does not deliver as intended and that the financial sustainability position does not improve.</p>		<p>and transformation are covered at paragraph 40.</p>
<p>8 Financial Management – budget setting</p> <p>The IJB has not yet received a formal offer from NHS Tayside regarding the 2019/20 budget. For the IJB to progress their budget setting process, indicative figures have been used.</p> <p>There is a risk that these figures will not be finalised before the start of the 2019/20 financial year and the IJB will be operating without a formally agreed budget. Furthermore, if partner contributions are lower than the indicative budget, this will increase the risk of financial sustainability.</p>	<p>Ongoing monitoring of budget setting for 2019/20.</p>	<p>The 2019/20 IJB budget was approved on 25 June 2019 after receipt of NHS Tayside's final budget offer.</p> <p>Further comment is included in appendix 1, item PY2.</p>
<p>9 Financial Management Arrangements</p> <p>In 2017/18, we reported some areas for improvement in the financial management arrangements at the IJB including: improvement in budget monitoring processes to provide explanations for approved budget changes; introducing detailed updates on efficiency savings and the transformation programme and scope to link financial (budget)</p>	<p>Monitor progress to develop improved budget monitoring and performance reporting.</p>	<p>Some developments have been made in the Financial Monitoring reports, including providing some information on savings and transformation plan. We consider that further improvements could be made.</p> <p>Further comment is included in appendix 1, item PY4.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>and performance management information.</p> <p>Whilst noting management's commitment to addressing these issues, change has not been implemented across all areas as originally intended. There is a risk that members may not be sufficiently informed to effectively scrutinise the IJB's performance, including financial performance throughout the year.</p>		
<p>10 EU withdrawal</p> <p>There are considerable uncertainties surrounding the implications of EU withdrawal. Public bodies should assess the potential impact on their operations and identify specific issues and planned responses.</p> <p>There is a risk that the IJB is not prepared for the impact of EU withdrawal on the delivery of services.</p>	<p>Assess how the IJB has prepared for EU withdrawal.</p> <p>Consider how the IJB responds to any emerging issues after EU withdrawal.</p>	<p>No specific action has been taken by the IJB in respect of EU Withdrawal. The IJB does not employ staff or directly commission services so all operational planning is being done by the partner bodies.</p> <p>Further comment is included in appendix 1, item 4.</p>
<p>11 Best Value</p> <p>The statutory duty of Best Value applies to all public bodies in Scotland. There is currently no mechanism in place within the IJB to formally review Best Value.</p> <p>There is a risk that, the IJB is unable to demonstrate that it is meeting its statutory duty to deliver Best Value.</p>	<p>Monitor progress in developing the IJB's Best Value framework.</p> <p>Review the Best Value disclosures in the 2018/19 annual accounts.</p>	<p>The IJB has not progressed developing a Best Value framework and is not able to demonstrate that it is meeting its statutory Best Value duty.</p> <p>Further comment is included in appendix 1, item PY9.</p>
<p>12 Risk management</p> <p>In September 2018 internal audit reported on a Risk Maturity Review of the IJB. Internal audit noted that the IJB is currently developing its Risk Management arrangements. The IJB were commended for the progress made with its arrangements, however a number of recommendations for improvement were also reported and an action plan developed, which is planned to be complete by December 2019.</p> <p>Until risk management arrangements are fully</p>	<p>Monitor progress with the implementation of the action plan.</p>	<p>The risk management action plan was approved by the Performance and Audit Committee in February 2019. The intention is to implement all actions by December 2019.</p> <p>Further comment is included in paragraph 72.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>developed and embedded in the organisation there is a risk that exposure to risks may not be highlighted and mitigated through management controls.</p>		
<p>13 Implementation of improvement actions and audit recommendations</p> <p>The IJB has a significant and wide-ranging improvement programme. This includes a commitment to deliver several improvement action plans. These range from internally identified actions (performance management and risk management), scrutiny bodies' improvement actions (e.g. the Care Inspectorate Joint Inspection of Adult Support and Protection, reported July 2018); and internal and external audit actions and recommendations. The IJB has demonstrated a commitment to deliver on the various improvement actions, however there is evidence of slippage in delivery across all areas of improvement.</p> <p>There is a risk that the commitments set out in the IJB's Strategic Commissioning Plan may not be delivered timeously if improvement actions are not delivered within the agreed timescales.</p>	<p>Monitor development of the overall 'masterplan' and timetable and progress with the implementation of improvement action plans.</p>	<p>From March 2019 the Performance and Audit Committee has considered a Governance Action Plan Progress Report to monitor progress against the implementation of improvement action plans. The Action Plan progress report should be further developed to include all improvement action plans including external audit reports.</p> <p>Further comment is included in appendix 1, item 7.</p>
<p>14 Leadership and governance</p> <p>During 2018/19 there has been significant change in the membership of the Integration Joint Board and the Performance and Audit Committee. Training and support will be critical to provide members with appropriate skills to enable them to maximise their challenge and scrutiny role and their contribution to making integration a success.</p> <p>There is a risk that leadership and governance arrangements are not effective if members are not sufficiently trained and supported.</p>	<p>Monitor progress with the development and uptake of training and development opportunities.</p>	<p>Not actioned but by October 2019 the IJB plans to develop regular Board and Performance and Audit Committee member induction and development processes.</p>

Appendix 3

Summary of national performance reports 2018/19

 2018/19 Reports			
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Reports relevant to Integration Joint Boards

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

Dundee City Integration Joint Board

2018/19 Annual Audit Report

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