



REPORT TO: PERFORMANCE & AUDIT COMMITTEE – 22 SEPTEMBER 2020
REPORT ON: AUDIT SCOTLAND – ANNUAL AUDIT PLAN 2019/20
REPORT BY: CHIEF FINANCE OFFICER
REPORT NO: PAC29-2020

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to note and approve the proposed Dundee Integration Joint Board Annual Audit Plan 2019/20 as submitted by the IJB's appointed External Auditor (Audit Scotland)

2.0 RECOMMENDATIONS

It is recommended that the Performance & Audit Committee (PAC):

- 2.1 Notes the content of this report;
- 2.2 Approves the proposed Audit Plan for 2019/20 as submitted by Audit Scotland (attached as Appendix 1).

3.0 FINANCIAL IMPLICATIONS

3.1 None.

4.0 MAIN TEXT

4.1 Dundee Integration Joint Board's (IJB) assigned External Auditor for 2019/20 is Audit Scotland who have produced their Annual Audit Plan in relation to the 2019/20 financial year. This plan contains an overview of the planned scope and timing of their audit work and is carried out in accordance with International Standards on Auditing (ISAs), and the Code of Audit Practice. This plan sets out the independent auditors work necessary to provide an opinion on the annual accounts and to meet the wider scope requirements of public sector audit. The wider scope of public audit includes assessing arrangements for financial sustainability, financial management, governance and transparency and value for money.

4.2 In preparing this audit plan, Audit Scotland has drawn from a wide range of information such as IJB reports and other published documentation, attendance at IJB meetings and discussions with staff and have identified a number of main risk areas in relation to Dundee IJB. These are categorised as being financial statements risks and wider dimension risks with associated audit testing noted within the plan under Exhibit 1. These risks are summarised below:

Financial statement issues and risks:

- 1) Risk of material misstatement caused by management override of controls
- 2) Risk of material misstatement caused by fraud in expenditure
- 3) Hospital acute services budget (set aside)
- 4) Financial accounting records
- 5) Compliance with the Local Authority Accounts (Scotland) Regulations 2014
- 6) Annual accounts audit process

Wider Dimension Risks:

- 7) Financial sustainability
- 8) IJB Strategic and Commissioning plan and transformation
- 9) Financial Management – Budget Setting
- 10) Governance – improvement actions
- 11) Inquiry into Mental Health Services in Tayside
- 12) Risk Management
- 13) Board member attendance
- 14) Leadership and governance
- 15) Vacant position – registered medical practitioner providing primary care
- 16) Best Value
- 17) Implementation of improvement actions and audit recommendations
- 18) Internal audit plan - slippage

- 4.3 Once the audit is complete, Audit Scotland will submit an independent auditor's report to the members of Dundee City Integration Joint Board and the Accounts Commission, summarising the results of the audit of the annual accounts. They will also provide the IJB and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.
- 4.4 The auditor will give an opinion on the financial statements prepared by the IJB as to whether:
- the financial statements give a true and fair view of the state of affairs of Dundee City Integration Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended.
 - the annual accounts have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom.
 - whether the annual accounts have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.
- 4.5 The unaudited annual accounts were submitted to the IJB at its meeting on the 25th August 2020. Due to the IJB working under the Essential Business Process at the end of June 2020, the Chief Finance Officer signed the draft accounts at the end of June 2020 in order to formally submit them to Audit Scotland to enable the audit process to commence. It is acknowledged that the Covid-19 crisis has caused significant disruption to the provision of services and the governance arrangements around those services. Accordingly, provisions made in the Coronavirus (Scotland) Act 2020 in relation to the publication of statutory reports provide some flexibility around reporting requirements and timescales associated with the statutory accounts process as set out within the Local Authority Accounts (Scotland) Regulations 2014. This particularly relates to the potential postponement of the publication of the unaudited accounts, associated inspection periods and publication of the audited accounts with a 2 month extension available if required. Audit Scotland have advised that it is likely that the audit process will be complete by late October 2020 therefore the audited accounts will be presented to the meeting of the Performance and Audit Committee to be held on 24th November 2020 for final sign off in line with the revised requirements.
- 4.6 The annual audit fee set for Dundee City Integration Joint Board is £28,390 for 2019/20 (£25,000 for 2018/19) which is a 13.6% increase. All IJB's have had fee increases applied of 6% to reflect the costs of audit input required to complete the audits. Audit Scotland have also applied an increase in the Auditors remuneration element of the fee locally to reflect the high number of risks identified which will be required to be followed up during the audit.

5.0 POLICY IMPLICATIONS

5.1 This report has been screened for any policy implications in respect of Equality Impact Assessment. There are no major issues.

6.0 RISK ASSESSMENT

6.1 This report has not been subject to a risk assessment as it forms part of the IJB's statutory governance process. Any risks identified through the annual accounts process will be reflected in the relevant Integration Joint Board or Performance and Audit Committee Reports.

7.0 CONSULTATIONS

7.1 The Chief Officer, Audit Scotland and the Clerk were consulted in the preparation of this report.

8.0 BACKGROUND PAPERS

8.1 None.

Dave Berry
Chief Finance Officer

DATE: 01 September 2020

Dundee City Integration Joint Board

Annual Audit Plan 2019/20 - DRAFT



 AUDIT SCOTLAND

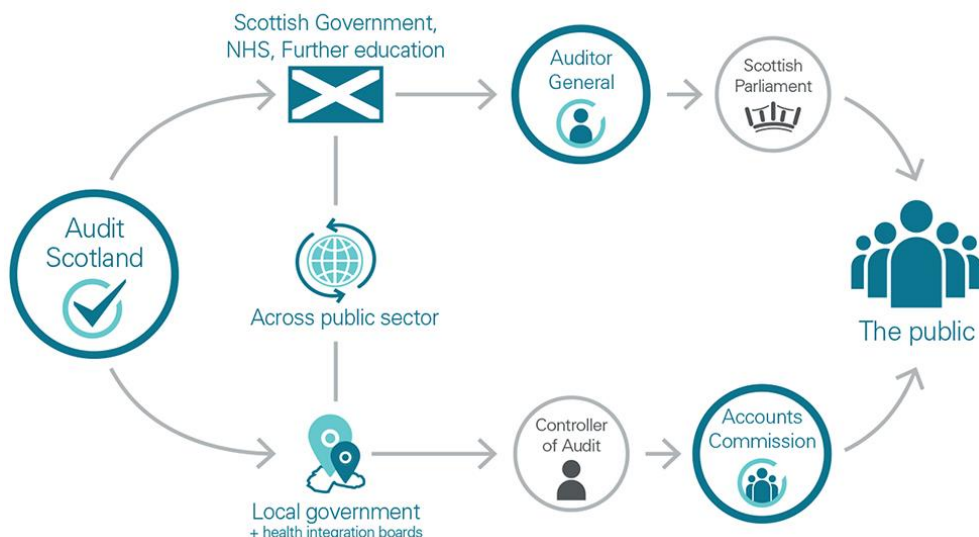
Prepared for Dundee City Integration Joint Board

March 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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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.
2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value


3. We aim to add value to the Dundee City Integration Joint Board through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Integration Joint Board promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


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


Exhibit 1 2019/20 Significant audit risks


 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by 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>	<ul style="list-style-type: none"> • Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. • Service auditor assurances obtained from the auditors of Dundee City Council and NHS Tayside over the completeness, accuracy and


 Audit Risk	Source of assurance	Planned audit work
		allocation of the income and expenditure.
<p>2 Risk of material misstatement caused by fraud in 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>	<ul style="list-style-type: none"> • Robust budget monitoring. • Assurances provided to the IJB by Dundee City Council and NHS Tayside on the completeness and accuracy of transactions coded to IJB account codes. 	<ul style="list-style-type: none"> • Obtain assurances from the auditors of Dundee City Council and NHS Tayside over the accuracy, completeness and appropriate allocation of the IJB ledger entries.
<p>3 Acute hospital set aside budget</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.</p> <p>The figure is estimated based on prior year 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 2019/20 due to the lack of current activity information. There is also a risk that the sum set aside recorded in the annual accounts will not reflect actual hospital use in 2019/20.</p>	<ul style="list-style-type: none"> • The IJB continues to work with NHS Tayside to agree an appropriate mechanism. • The IJB will consider Scottish Government guidance when available. • The IJB will implement a commissioning approach against the hospital and set aside budgets. • Further develop the planned and unscheduled care approaches under a collaborative management arrangement. 	<ul style="list-style-type: none"> • Engage with officers to ensure that a robust mechanism has been developed to quantify the IJB’s set aside income and expenditure. • Monitor Scottish Government guidance on the treatment of set aside in the 2019/20 financial statements to establish whether the financial statements are compliant.
<p>4 Financial accounting records</p> <p>The 2018/19 financial ledger had not been fully updated to reflect all accounting entries prior to the production of the annual accounts.</p> <p>There is a risk that the accounting records may not include all transactions and balances. This could impact on the IJB’s ability to demonstrate that the annual accounts show a true and fair view of its financial position.</p>	<ul style="list-style-type: none"> • The financial ledger will be fully updated to reflect all accounting entries prior to the approval of the annual accounts. 	<ul style="list-style-type: none"> • Agree the 2019/20 annual accounts to the financial ledger and supporting financial information from the parent bodies. • 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>5 Compliance with the Local Authority Accounts (Scotland) Regulations 2014</p> <p>The 2018/19 annual accounts did not comply with the Local Authority Accounts (Scotland) Regulations 2014. The Chief Officer was on leave until after 30 September 2019 which meant</p>	<ul style="list-style-type: none"> • Arrangements have been reviewed for the availability of the officers required to sign the annual accounts, to ensure the accounts are signed immediately 	<ul style="list-style-type: none"> • Continue to meet with key finance officers throughout the year to ensure plans are in place to ensure compliance with the 2014 statutory regulations.

	Audit Risk	Source of assurance	Planned audit work
	<p>the 2018/19 annual accounts were not signed, approved and authorised for issue until after the required date set out in the 2014 statutory regulations.</p> <p>There is a risk that the IJB fails to comply with the statutory regulations related to the 2019/20 annual accounts.</p>	<p>after they are approved by the Performance and Audit Committee.</p>	
6	<p>Annual accounts audit process</p> <p>Whilst we note the commitment of key IJB finance officers, during the 2019/20 and 2018/19 audits we have encountered slow responses to audit queries.</p> <p>There is a risk that the 2019/20 annual accounts audit timetable cannot be achieved. This could result in the IJB annual accounts not being published by the 30 September 2020 deadline as required by the 2014 regulations.</p>	<ul style="list-style-type: none"> • Senior leadership commitment to annual accounts preparation and timetable. • The IJB plans to provide annual accounts and relevant working papers by agreed timescales. • Plans are in place to recruit a Deputy Chief Finance Officer. 	<ul style="list-style-type: none"> • Continue to meet with finance officers throughout the year to ensure the timetable for receipt of the unaudited annual accounts and working papers is met to allow the audit to be progressed in a timely manner.
Wider dimension risks			
7	<p>Financial sustainability</p> <p>The IJB cannot demonstrate its services are sustainable in the future. Medium to long-term financial plans are yet to be developed.</p> <p>The financial monitoring position as at December 2019 noted a projected overspend of £3.897 million. This will be offset by the IJB's non-earmarked reserves leaving £3.336 million to be met by the partners' risk sharing agreement.</p> <p>The likely year end reserve balance after offset of overspends is £0.300 million of earmarked reserves.</p> <p>There is a risk that the IJB services are not sustainable and the IJB is unable to achieve improvements in health and social care services.</p>	<ul style="list-style-type: none"> • A 1-5 year financial plan will be presented to the Board on 27 March 2020 for approval. • The IJB is working to identify solutions to develop more sustainable service models through its transformation programme. 	<ul style="list-style-type: none"> • Review ongoing budget monitoring and progress made on meeting savings targets and dealing with cost pressures. • Review of the IJB's recovery plan agreed with Dundee City Council and NHS Tayside. • Review the 1-5 year financial plan. • Review the Chief Finance Officer's evidence to support the going concern assumption for the 2019/20 annual accounts.
8	<p>IJB strategic and commissioning plan and transformation</p> <p>The Board approved the 2019-22 Strategic and Commissioning Plan in March 2019. The IJB stated it would monitor progress of the plan on an ongoing basis, and report through its Integrated Strategic Planning Group, to the Board and its partners. The Board is yet to be provided with an update on progress.</p>	<ul style="list-style-type: none"> • The integrated strategic planning group and transformation group review will be completed. • An update on progress against the Strategic and Commissioning Plan will be 	<ul style="list-style-type: none"> • Monitor progress with Strategic and Commissioning Plan and transformation reporting to the Board.

 Audit Risk	Source of assurance	Planned audit work
<p>We also note detailed updates on the IJB's transformation programme are not reported to the Board on a regular basis.</p> <p>We have been advised that the Integrated Strategic Planning Group and the transformation group terms of reference and membership are being reviewed with the view to combine the groups.</p> <p>There is a risk that the Board are not aware of whether strategic priorities are being achieved. Nor are they aware of the rate of progress being made with the transformation programme.</p>	<p>presented to the XX Board.</p> <ul style="list-style-type: none"> • Further development of transformation reporting to the Board. 	
<p>9 Financial management – budget setting</p> <p>The IJB awaits the formal budget offers from NHS Tayside and Dundee City Council for its 2020/21 budget.</p> <p>There is a risk that these figures will not be finalised before the start of the 2020/21 financial year and the IJB will be operating without a formally agreed budget.</p>	<ul style="list-style-type: none"> • Continuous discussions between the IJB, NHS Tayside and Dundee City Council to provide the most up to date position regarding budget setting. • The latest budget update taken to the Board includes indicative figures. • The 2020/21 budget will be presented to the Board on 27 March 2020 for approval. 	<ul style="list-style-type: none"> • Ongoing monitoring of 2019/20 budget setting and reporting to the Board.
<p>10 Governance – improvement actions</p> <p>The 2019 Ministerial Strategic Group (MSG) self-evaluation completed by the IJB in 2019 noted a significant number of governance improvement actions. These included: ensuring the IJB's S95 officer is appropriately supported; the Chief Officer is effectively supported and empowered to act on behalf of the IJB; and clinical and care governance arrangements are effective, coherent and joined up.</p> <p>There is a risk that the governance arrangements including clinical and care governance arrangements are not appropriate or operating effectively.</p>	<ul style="list-style-type: none"> • The IJB will continue to work with the statutory partners to progress the implementation of the identified actions. • An MSG action plan update will be reported to the Board in March 2020. • The core functions mapping exercise will be completed and reported to the Board. 	<ul style="list-style-type: none"> • Monitor developments with the implementation of the MSG action plan and reporting to the Board. • Consider the outcome of the core functions mapping exercise and reporting to the Board. • Review the Chief Finance Officer's evidence to support the IJB's 2019/20 Annual Governance Statement.
<p>11 Inquiry into Mental Health Services in Tayside</p> <p>In February 2020 the 'Trust and Respect Final Report of the Independent Inquiry into Mental Health</p>	<ul style="list-style-type: none"> • In February 2020 the Board considered a report with information about the publication of the 	<ul style="list-style-type: none"> • Monitor the response of the IJB and its partners to the mental health inquiry.

 Audit Risk	Source of assurance	Planned audit work
<p>Services in Tayside' was published. The report includes 51 improvement areas for partners across Tayside, including the IJB, to address in providing mental health services. The findings from the inquiry corroborate the IJB's findings from the MSG self-evaluation.</p> <p>There is a risk of service failures if the Tayside wider partners and the IJB do not work in a coherent way to fully address the inquiry findings, including ensuring the clinical and care governance arrangements are effective, coherent and joined up.</p>	<p>inquiry and about the collaborative approach that is being taken in response to the inquiry's findings.</p> <ul style="list-style-type: none"> In April 2020 the Board will receive a further report detailing the inquiry action plan and progress being made in relation to the findings of the report. 	
<p>12 Risk management</p> <p>Following the September 2018 internal audit report - risk maturity review, a number of actions continue to be progressed by the IJB. This includes updating the IJB's risk strategy to develop and build effective risk management arrangements and clarifying the arrangements between the IJB, its parent bodies and the two other IJBs within the Tayside area.</p> <p>We also note the strategic risk register was last presented to the Board in May 2018.</p> <p>Until the risk management arrangements are fully developed and embedded by the IJB and across the Tayside partnerships there is a risk that exposure to risks may not be highlighted and appropriately mitigated through suitable management controls.</p> <p>There is also a risk that members are not cited on the current risks facing the IJB undermining their ability to challenge and scrutinise.</p>	<ul style="list-style-type: none"> Follow up meetings with partners across Tayside have commenced. The updated Strategic Risk Register will be presented to the XX IJB. 	<ul style="list-style-type: none"> Monitor progress with the implementation of the internal audit report - risk maturity review action plan including progress with the joint working. Monitor strategic risk management and register updates to the Board.
<p>13 Board member attendance</p> <p>Two meetings of the Performance and Audit Committee (PAC) have been cancelled in 2019/20 due to voting members vacancies or non-attendance of members.</p> <p>There is a risk that the Board and the PAC are unable to discharge their duties and achieve the stated outcomes against the Strategic and Commissioning Plan.</p>	<ul style="list-style-type: none"> A new NHS Tayside voting member has been appointed to the Board and the PAC. NHS Tayside has appointed a proxy member for the NHS voting members. 	<ul style="list-style-type: none"> Review the IJB's attendance records for the Board and PAC meetings.
<p>14 Leadership and governance</p> <p>During 2019/20 there has been significant change in the membership of the Board and the PAC. There is</p>	<ul style="list-style-type: none"> A programme of development and training opportunities will be 	<ul style="list-style-type: none"> Monitor progress with the development and uptake of training and development opportunities.

 Audit Risk	Source of assurance	Planned audit work
<p>evidence that training and support has not been sufficient to meet the needs of members.</p> <p>There is a risk that leadership and governance arrangements are not effective if members are not sufficiently trained and supported.</p>	<p>developed and co-ordinated alongside those of Dundee City Council and NHS Tayside for new and existing members.</p>	
<p>15 Vacant position – registered medical practitioner providing primary care</p> <p>The Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 stipulates that a non-voting position of ‘registered medical practitioner whose name is included in the list of primary medical services performers’ is appointed to the Board.</p> <p>We reported in the 2018/19 annual audit report that the nominated member for this role had been unable to attend the majority of meetings in 2018/19. The previous nominee has now stood down and a replacement is yet to be identified.</p> <p>The IJB is not complying with the legislation and there is a risk that appropriate professional care expertise is not provided to the Board.</p>	<ul style="list-style-type: none"> The IJB has written to NHS Tayside to seek a nomination for the position. 	<ul style="list-style-type: none"> Monitor progress with the appointment of a replacement.
<p>16 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 how it is meeting its Best Value responsibilities.</p> <p>The IJB is unable to demonstrate that it is meeting its statutory duty to deliver Best Value.</p>	<ul style="list-style-type: none"> Learning from other IJBs reporting with regards to Best Value. 	<ul style="list-style-type: none"> Monitor progress with Best Value reporting.
<p>17 Implementation of improvement actions and recommendations</p> <p>In addition to the MSG action plan, the IJB has a number of other improvement action plans which it has committed to implement. Many, but not all of the action plans are included in the Governance Action Plan report which is presented to the PAC.</p> <p>The improvement action plans include internally identified actions (performance management and risk management), scrutiny bodies’ improvement actions (e.g. the Care Inspectorate); and internal and external audit actions and recommendations. There is evidence of continuing</p>	<ul style="list-style-type: none"> The PAC monitor the implementation of agreed action plans. Further development of the Governance Action Plan to include all improvement action plans. 	<ul style="list-style-type: none"> Monitor developments with the Governance Action Plan and reporting to the PAC.

	Audit Risk	Source of assurance	Planned audit work
	<p>slippage in delivery across all areas of improvement.</p> <p>There is a risk that the commitments set out in the IJB's Strategic and Commissioning Plan may not be delivered timeously if improvement actions are not sufficiently coordinated and not delivered within the agreed timescales.</p>		
18	<p>Internal audit plan – slippage</p> <p>There continues to be slippage in reporting on internal audit work to the PAC.</p> <p>The 2018/19 plan has not been completed which has impacted on the delivery of the 2019/20 plan.</p> <p>We have been advised that this is, in part, due to managements difficulty with providing the necessary resource to support the internal audit process.</p> <p>There is a risk that members may not be able to scrutinise key risk areas timeously if internal audit reports are delayed. Also, the Chief Finance Officer may not receive the assurances required to compile the 2019/20 Annual Governance Statement.</p>	<ul style="list-style-type: none"> The internal audit plan going forward will be risk assessed in recognition that the 2019/20 plan cannot be delivered as planned. xx 	<ul style="list-style-type: none"> Continue to monitor progress with delivery and reporting against the internal audit plan. Review the Chief Finance Officer's evidence to support the IJB's 2019/20 Annual Governance Statement.

Source: Audit Scotland

- In ISA 240, there is a presumed risk of fraud in the recognition of income, in financial statements. The IJB is wholly funded by NHS Tayside and Dundee City Council, therefore we conclude that there is no risk of material misstatement caused by fraud in income recognition that needs audit coverage in 2019/20.

Statutory report

- On 27 February 2020 the Accounts Commission published a [statutory report](#) on Fife Integration Joint Board (IJB). Whilst the report relates to Fife IJB the Accounts Commission reported "that Fife IJB is not the only IJB nationally to face significant challenges". The statutory report also noted that "The responsibilities of the Board itself – and thus its relationship with its partners Fife Council and NHS Fife need to be clearer and adhered to". This chimes with the findings of the Dundee City IJB MSG self-evaluation and the recent inquiry report into Mental Health Services in Tayside.
- We recommend that the Dundee City IJB carry out a self-assessment against the Fife IJB statutory report, to identify areas where improvements are needed. As part of our 2019/20 audit we will monitor and report on how Dundee City IJB performs compared to the findings in the statutory report.

Reporting arrangements

8. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.
9. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.
10. We will provide an independent auditor's report to Dundee City Integrated Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the Chief Officer and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	17 March 2020	24 March 2020
Proposed Annual Audit Report*	15 September 2020	22 September 2020
Independent Auditor's Report	22 September 2020	22 September 2020

* The Annual Audit Report cannot be finalised until after the independent auditor's report is signed.

Source: Audit Scotland

Audit fee

11. The proposed audit fee for the 2019/20 audit of Dundee City IJB is £28,390 (2018/19: £25,000), a 13.6% increase. All IJBs have had fee increases of 6% this year to reflect the costs of audit input required to complete the audits. The additional fee increase for Dundee City IJB reflects the high number of risks that we have identified which we will be required to follow up during the audit. It is also to cover the work required to resolve the high number of issues that we have identified through the annual accounts audit process over the term of our audit appointment.
12. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 30 June 2020. Where our audit cannot proceed as planned through, for example, late receipt of incomplete unaudited annual accounts, or slippage in the agreed timetable, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Performance and Audit Committee and Chief Finance Officer

13. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.
14. The audit of the annual accounts does not relieve management or the Performance and Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

- 15.** Our responsibilities as independent auditors are established by the 1973 Act for local government and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.
- 16.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

- 17.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:
- understanding the business of Dundee City Integration Joint Board and the associated risks which could impact on the financial statements
 - identifying major transaction streams, balances and areas of estimation and understanding how Dundee City Integration Joint Board will include these in the financial statements
 - assessing the risks of material misstatement in the financial statements
 - determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.
- 18.** We will give an opinion on whether the financial statements:
- give a true and fair view of the state of affairs of Dundee City Integration Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended
 - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
 - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

Other information in the annual accounts

- 19.** We also review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.
- 20.** We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

- 21.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.
- 22.** We calculate materiality at different levels as described below. The calculated materiality values for Dundee City Integration Joint Board are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess 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 2020 based on the latest audited accounts for 2018/19.	£2.631 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 planning materiality.	£1.578 million
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 2% of planning materiality, rounded.	£53,000



Source: Audit Scotland

Timetable

23. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the annual accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	30 June 2020
Latest submission date of unaudited annual accounts with complete working papers package	30 June 2020
Latest date for final clearance meeting with Chief Finance Officer	1 September 2020
Issue of Letter of Representation and proposed independent auditor's report	8 September 2020
Agreement of audited unsigned annual accounts	10 September 2020
Issue of proposed Annual Audit Report to those charged with governance	15 September 2020
Independent auditor's report signed	22 September 2020

Internal audit

24. Internal audit is provided by FTF Audit and Management Services (FTF), supported by Dundee City Council's internal audit section. The audit is overseen by FTF's Chief Internal Auditor.
25. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA 610

requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

26. Overall, we concluded that the internal audit service generally operates in accordance with the PSIAS, although we have observed slippage in the delivery of internal audit plans.

Using the work of internal audit

27. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

28. From our initial review of internal audit plans we do not plan to place formal reliance on the work of internal audit to support our financial statements audit opinion this year, but we do plan to use the work of internal audit in selected areas in respect of our wider dimension audit responsibilities.

29. We will review the results of our work on the internal audit risk included in [Exhibit 1](#).

Audit dimensions

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

Exhibit 5

Audit dimensions



31. In reporting on the audit dimensions, we will consider the audit evidence obtained from consideration of the risks included in [Exhibit 1](#) of this plan.

Financial sustainability

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

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

Financial management

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

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

Governance and transparency

34. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

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

Value for money

35. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the IJB can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- that there is sufficient focus on improvement and the pace of it.

36. EU withdrawal: on 31 January 2020, the United Kingdom left the European Union. Work is ongoing with the Scottish Government and the IJB's partner

organisations to ensure that all necessary and appropriate steps are taken to minimise any disruption caused by EU withdrawal.

Best Value

- 37.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. We will review and report on these arrangements.

Independence and objectivity

- 38.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.
- 39.** The engagement lead (i.e. appointed auditor) for Dundee City Integration Joint Board is Fiona Mitchell-Knight, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Dundee City Integration Joint Board.

Quality control

- 40.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.
- 41.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.
- 42.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Dundee City Integrated Joint Board

Annual Audit Plan 2019/20 - DRAFT

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