



REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
28 JUNE 2016

REPORT ON: INTERNAL AUDIT REPORT ON HEALTH AND SOCIAL CARE
INTEGRATION – FINANCIAL ASSURANCE/DUE DILIGENCE

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB16-2016

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to advise the Integration Joint Board of the outcome of the joint Internal Audit Report on the due diligence process.

2.0 RECOMMENDATIONS

It is recommended that the Integration Joint Board (IJB):

- 2.1 Notes the content and findings of the attached Internal Audit Report on Health & Social Care Integration Financial Assurance/Due Diligence (Appendix 1);
- 2.2 Instructs the Chief Finance Officer to implement the agreed actions to address areas for improvement.

3.0 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

4.0 MAIN TEXT

- 4.1 Dundee IJB was presented with a report in March 2016 outlining the outcome of the process of Due Diligence which had been undertaken as a key element of the development of the IJB over the course of 2015/16. Detailed supplementary statutory guidance entitled Integration Financial Assurance – Advice to Health Boards, Local Authorities and Integration Joint Boards (Financial Assurance Guidance) was published by the Scottish Government in May 2015. The Financial Assurance Guidance states that *‘the Audit Committees are provided with a report, produced jointly by the Health Board and Local Authority Chief Internal Auditors (and copied to the shadow IJB), on the assurance work that has been carried out by the Health Board and Local Authority.’*
- 4.2 The IJB agreed in November 2015 to appoint the Chief Internal Auditor of NHS Tayside to the role of Chief Internal Auditor and Fife, Tayside and Forth Valley Audit and Management Services (FTF) as the IJB’s lead internal auditors for 2015/16. This role has been supported by Dundee City Council’s Internal Audit service. The main focus of internal audit activity for 2015/16 has been an assessment of the Due Diligence process and Governance arrangements in line with the national guidance.
- 4.3 The specific objectives of the Due Diligence audit assessment were:
 - To ensure that the financial assurance/due diligence process followed is in line with the national guidance; and
 - To ensure that the risks and assumptions made were comprehensive, accurate and clear.

- 4.4 The attached report provides the auditor's opinion as to whether these requirements were met.
- 4.5 The outcome of the Internal Audit assessment is that in their opinion the financial assurance/due diligence processes undertaken on the initial sums for the integrated budget comprehensively covered the requirements of the Financial Assurance Guidance. The information provided to the Dundee (Shadow) IJB at meetings and development events throughout 2015, concluding in the Final Due Diligence report to the special IJB meeting on 15 March 2016 provided a full and detailed picture of the financial position of the budgets in scope. In addition, the financial assurance/due diligence and summary of risks reports met all the requirements of the Financial Assurance Guidance in relation to risk assessment. The Internal Auditors also acknowledge the level of collaborative working that has taken place with a concerted effort to achieve a successful outcome for all parties.
- 4.6 A number of areas for improvement were identified at the time of the audit and an action plan agreed with IJB officers to address these areas. These are described in the appendix to the Internal Audit Report and it should be noted that a number of these have already been completed and others are in progress. It should also be noted that areas such as developing the risks associated with the Large Hospital set aside are being taken forward in partnership across the three Tayside IJB's and NHS Tayside. The Chief Finance Officer will continue to work with the Internal Auditors to review progress made against these recommendations which will be reported back to the IJB and partners in accordance with the Internal Audit protocols of each of the partners.

5.0 POLICY IMPLICATIONS

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

6.0 CONSULTATIONS

The Chief Officer and the Clerk along with the Chief Internal Auditor of NHS Tayside and the Senior Manager - Internal Audit of Dundee City Council were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 6 June 2016

NHS TAYSIDE / DUNDEE CITY COUNCIL
INTERNAL AUDIT SERVICE



**HEALTH AND SOCIAL CARE INTEGRATION - FINANCIAL ASSURANCE /
DUE DILIGENCE**

FTF REPORT NO. T18C/16, DCC INTERNAL AUDIT REPORT NO. 2015/28

Issued To: [D Martin, Chief Executive, Dundee City Council]
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D Berry, Chief Finance Officer, Dundee HSCP
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[NHST Audit Committee / DCC Scrutiny Committee]
[External Audit]

Date Draft Issued: 4 May 2016
Date Response Required: 24 May 2016
Target NHST Audit Committee Date: 1 September 2016
Target DCC Scrutiny Committee Date: 29 June 2016 (Abridged version)

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INTRODUCTION AND SCOPE

1. The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal assent in April 2014. It establishes the framework for the integration of health and social care in Scotland. Detailed supplementary statutory guidance entitled Integration Financial Assurance – Advice to Health Boards, Local Authorities and Integration Joint Boards (Financial Assurance Guidance) was initially published by the Scottish Government in May 2015.
2. The integration of health and social care represents the radical reform required to improve care, particularly for adults with multiple complex support needs, many of whom are frail older people, and to make better use of the substantial resources that are committed to adult health and social care.
3. The Integration Joint Board (IJB) has access to a combined budget for services for which it has direct operational responsibility or for which it is hosting services on behalf of the partners. It also has Large Hospital Set Aside budgets for services delegated for strategic planning purposes, so that it can work in collaboration with the Acute Sector to redesign the care or the pathways of care or implement new models that will shift service and resources. The alignment of the budgets has been subject to a financial assurance / due diligence process agreed between the partners and the partnerships.
4. One of the most important items of business for a newly established IJB is to obtain assurance that its resources are adequate to allow it to carry out its functions and to identify, quantify and assess the risks associated with this. In order to facilitate this, the Financial Assurance Guidance states that *‘the Audit Committees are provided with a report, produced jointly by the Health Board and Local Authority Chief Internal Auditors (and copied to the shadow IJB), on the assurance work that has been carried out by the Health Board and Local Authority.’*
5. This audit review, which supports NHS Tayside Strategic Risk 239: *‘Failure to put in place effective arrangements for health and social care integration will result in the new partnerships not being established and operational by 1 April 2016, breaching regulation and resulting in damage to organisational reputation and failure to deliver on national legislation’* and Dundee City Council’s Corporate risks 1.10 and 3.4: *‘Ineffective partnership working’* and *‘Social Work / Health Integration Legislation’* respectively, focussed on obtaining assurances around the financial assurance / due diligence process. The review itself was delivered on a partnership basis and reported on jointly by the Internal Audit Services of NHS Tayside and Dundee City Council.

OBJECTIVES

6. The specific objectives of the audit review, were:
 - To ensure that the financial assurance / due diligence process followed is in line with the national guidance; and
 - To ensure that the risks and assumptions made were comprehensive, accurate and clear.

AUDIT OPINION AND FINDINGS

7. We can provide assurance that in our opinion the financial assurance / due diligence processes undertaken on the initial sums for the integrated budget comprehensively covered the requirements of the Financial Assurance Guidance. The information provided to the Dundee (Shadow) IJB at meetings and development events throughout 2015, concluding in the Final Due Diligence report to the special IJB meeting on 15 March 2016 provided a full and detailed picture of the financial position of the budgets in scope. In addition, the financial assurance / due diligence and summary of risks reports met all the requirements of the Financial Assurance Guidance in relation to risk assessment. We also acknowledge the level of collaborative working that has taken place with a concerted effort to achieve a successful outcome for all parties.

Financial Assurance / Due Diligence Process

8. A final version of the Financial Assurance Guidance was issued by the Scottish Government in June 2015 which was designed to provide guidance on a process of financial assurance to allow the IJB to assess the resources to be delegated and associated risks.
9. The Financial Assurance Guidance states that the Health Board and Local Authority internal auditors should provide a joint report to the Health Board and Local Authority audit committees as well as a copy to the IJB on the financial assurance / due diligence process that had been followed.
10. In order to ensure that the process followed for the Dundee IJB complied with the Financial Assurance Guidance, we:
 - Examined Dundee (Shadow) IJB agendas and reports containing information on the financial assurance / due diligence process.
 - Reviewed presentations on the financial assurance / due diligence process delivered at the June and October 2015 development events respectively.
 - Carried out sample testing of the figures contained in the Due Diligence Reports and corresponding Due Diligence Assessment, utilising the working papers available to support them.
 - Discussed the financial assurance / due diligence process with the IJB's Chief Finance Officer and other senior finance staff through the HSCI Senior Finance Group and documented this accordingly.
 - Considered the risks as reported and the assumptions made.
11. The financial assurance / due diligence process to be followed was originally described to the Dundee HSCI Shadow Board in January 2015. At a development event in June 2015, IJB members received a presentation on the financial assurance / due diligence work carried out on the Dundee City Council Community Care budget and the NHS Tayside Dundee CHP resources. The information provided addressed the requirements of the Financial Assurance Guidance showing information such as:
 - i. For the Dundee City Council budget, an overview of the Council budget setting process, information on the key cost drivers for the Council budget to transfer, the financial performance of this budget in 2013/14 and 2014/15, budget developments and a summary of the key issues facing Community Care budgets.

- ii. For the Dundee CHP resources, a description of overall financial performance in 2013/14 and 2014/15, a description of year on year budget adjustments for 2013/14 and 2014/15 and a description of major recurring budget adjustments for 2013/14 and 2014/15.
12. The October 2015 development event then provided an overview of, and financial assurance / due diligence information on, specific NHS Services not discussed previously including Primary Care Services, Prescribing in Family Health Services and Mental Health and identified key areas of emerging risk. Presentations were made by service managers for the areas concerned.
13. In November 2015, the IJB received a formal update paper on the financial assurance / due diligence work, which included an appendix detailing key risks in relation to the financial resources associated with the Dundee IJB. In March 2016, a detailed Due Diligence Assessment was provided to IJB members, which covered the requirements of the Financial Assurance Guidance setting out a description of Dundee City Council's overall financial performance for 13/14 and 14/15, budget adjustments for 13/14 through to 15/16 and the probable outturn for 15/16 and also, for NHS Tayside, the overall financial performance for 13/14 and 14/15, major recurring and non recurring budget adjustments for 13/14 through to 2015/16, the projected overall financial position for 15/16 and a summary of their risks and cost pressures as at November 2015.
14. The March 2016 IJB meeting received information on the amounts to be set aside for Large Hospital Services in scope. We reviewed this section against the guidance on 'Financial Planning for Large Hospital Services' and conclude that this appears to be consistent with the requirements of this guidance on analysis of hospital activity and cost information to be used to determine the set aside. Although this has subsequently been agreed across Tayside, at that point, the paper did not yet set out financial risks and risk management principles to be adopted but did acknowledge that further refinement was needed and that data used for the analysis was outdated. Management should commission more detailed work on this methodology to provide a robust basis to assess the impact of integration.
15. We compared the services to be delegated to the IJB as set out in the Dundee Integration Scheme to the budgets covered by the financial assurance / due diligence work. We found that budgets for all services to be delegated were subject to the financial assurance / due diligence work with the exception of the Public Dental Service currently budgeted for within the Access Directorate, a budget of the order of £2.5M. However, we would note that the Public Dental Service will be hosted by the Perth & Kinross HSCP on behalf of all Tayside Partnerships and can confirm that a presentation on the Public Dental Service, including the funding position and challenges faced, was delivered at a Perth & Kinross IJB development event.
16. Whilst the remit of this audit review was designed to establish whether or not the financial assurance / due diligence process followed was in line with the Financial Assurance Guidance, we would note that whilst we conclude this is the case, the main value of the process that was followed is in the provision of a framework that key stakeholders can utilise to help inform their assessment on the adequacy or otherwise of the delegated resources. We note that the Final Due Diligence paper presented to the March 2016 IJB meeting provided Dundee IJB members with the Chief Finance Officer's assessment in relation to transparency, proportionality and adequacy of the resources to be delegated both in relation to Dundee City Council and NHS Tayside. This assessment highlights important outstanding issues as well as the risks relating to these questions including the

- allocation of the former CHP Management costs, outstanding issues within Mental Health and Learning Disabilities, transfer from the Medicine Directorate and allocations to NHS Tayside from the Scottish Government.
17. At the time our audit fieldwork was concluded, the NHS Tayside financial framework for 2016/17 onwards was still subject to further consideration. The IJB accepted the resources to be transferred from NHS Tayside on an interim basis pending further development of the NHS Tayside budget. We would recommend that when the final agreed figure is presented to the Dundee IJB at a future meeting, that information is made available to IJB members to allow them to understand clearly the link between the due diligence and risk information provided in March and the final figure, so that a final conclusion on the adequacy of resources can be made. The final due diligence paper presented to the March 2016 Dundee IJB recommended that the IJB accepts the level of budgeted resources calculated by Dundee City Council. It should be noted that the resource transfer from Dundee City Council to the IJB may be subject to change pending the outcome of discussions surrounding the IJB taking a share of some specific Dundee City Council organisational-wide savings targets relating to, for example, procurement, overtime and absence. These figures are not considered to be material in comparison to the total delegated budget.
 18. The Financial Assurance Guidance states that the financial assurance / due diligence process should be based on mutual trust and confidence involving an open-book approach and an honest sharing and discussion of the assumptions and risks. Through our audit fieldwork, we can conclude that in overall terms there has been a collaborative approach and that detailed information has been provided to IJB members on an ongoing basis leading up to the budget setting process. The background information provided in the due diligence papers presented to the IJB is based on the Financial Assurance Guidance. Our discussions with management have shown that regular liaison took place between Dundee City Council and NHS Tayside finance staff including through the HSCI Senior Finance Group. This included staff agreeing the level of detail to which the work should be performed, ensuring consistency, and sharing information on work undertaken. We carried out sample testing of the figures contained in the final Due Diligence Report and corresponding Due Diligence Assessment, utilising the working papers available to support them and found no exceptions.
 19. The Financial Assurance Guidance recommends that *'the predetermined financial metrics that officers will use in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.'* We discussed with the Chief Finance Officer that whilst the IJB has not as yet addressed this recommendation, efforts have been focused on agreeing the resources to be delegated. We would recommend that management give consideration to how this requirement will be fulfilled going forward.
 20. The Financial Assurance Guidance states that the financial assurance process should also focus on financial governance. At the time this report was drafted, Dundee IJB did not have an approved set of financial regulations. It should be noted, however, that draft financial regulations had been compiled and circulated for comment to key stakeholders. Some comments had been received and the draft financial regulations were in the process of being updated. A final version of the financial regulations is due to be presented to a future IJB meeting.

Risks and Assumptions

21. The Financial Assurance Guidance stresses at various points the importance of understanding the key risks and assumptions inherent in the budgets and financial positions for the delegated services. It also states that all risks should be quantified where possible and measures to mitigate risks identified.
22. Risks have featured prominently in the papers and presentations provided to the Dundee IJB. The June 2015 development event identified risk areas in relation to Community Care and CHP budgets as well as partnership funding. Emerging risks then featured in the October development event, where service managers presented the challenges, including financial pressures, faced by their services. The formal report to the November 2015 IJB meeting included an appendix detailing key financial risks attributable to the Dundee IJB as at 31st October 2015 including a description of the risk, value (where known), the likelihood of risk materialising, relevant lead officer and comments relating to how the risk is being managed. The Final Due Diligence paper and Due Diligence Assessment presented to the March 2016 IJB meeting set out summaries of risks and cost pressures including an assessment of likelihood and impact and a comment on the management of each risk.
23. In the Final Due Diligence paper presented to the March 2016 IJB meeting, remaining risks not addressed through the budget setting processes to date were summarised for both Dundee City Council and NHS Tayside resources. This information formed part of the overall assessment recommending the IJB accept the delegated resources from DCC and on an interim basis from NHS Tayside.
24. Whilst we note that the risks reported did not include the IJB potentially having to take a share of some specific Dundee City Council organisational-wide savings targets mentioned at Para 17 above; in our opinion, those risks which were reported appear to be reasonable at the point they were reported and covered the areas we expected to see, including the financial position of the partners and the resultant required efficiency savings. In our opinion, the final Due Diligence report fulfils the requirements of the Financial Assurance Guidance in relation to risk assessment. We are not aware of any material risks not disclosed through these reports and those risks reported do not contradict any other information we are aware of.
25. It should be noted that our overall conclusion on the way in which the risks and assumptions have been reported to IJB members, to help inform their assessment on the adequacy or otherwise of the resources to be delegated, is not intended as assurance on the risks themselves. We would highlight the importance of a future report to the IJB on a detailed savings plan for former NHS Tayside resources to mitigate the risks identified. We have received assurance from the Chief Finance Officer that such a plan is due to be presented to the June 2016 meeting of the IJB, at which point the outstanding issues referred to under Para 17 above should also have been addressed.
26. The Financial Assurance Guidance recommends that partners may find it useful to consider treating the first year as a transitional year and agree to a risk sharing arrangement. The Dundee Integration Scheme states that in the 1st and 2nd financial year, overspends will be met by the Party with operational responsibility for service delivery.
27. At the time of the fieldwork, a risk register for the Dundee IJB was in the process of being compiled by Dundee City Council, with the intention of developing it further in conjunction with NHS Tayside and to present a final register to the May 2016 IJB meeting. In our opinion, development of the risk register should

progress as planned on a collaborative basis and involve a range of key stakeholders, for example via a workshop session. We would expect resources to deliver the partnership's objectives within budget to feature within the risk register.

Conclusion

28. In overall terms, the financial assurance / due diligence process followed is considered to be robust and carried out in line with the Financial Assurance Guidance. The level of collaborative working that took place throughout the process, with a common goal of achieving a successful outcome for all parties, is acknowledged.
29. In addition, whilst, with the exception of the IJB having to potentially take a share of some specific Dundee City Council organisational-wide savings targets, risks were clearly identified and reported throughout the financial assurance / due diligence process, the risk management arrangements require to be developed further, including the compilation of a comprehensive risk register.
30. As noted in previous reports to the IJB, significant risks remain in relation to the IJB's budget and associated levels of savings required to meet cost and demand pressures.

ACTION

31. An action plan has been agreed with management to address the areas identified for improvement. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocols of each partner.

ACKNOWLEDGEMENT

32. We would like to thank all members of staff for their help and co-operation throughout the course of the review.

A Gaskin, BSc. ACA
Chief Internal Auditor, FTF

P Redpath, FCCA
Senior Manager - Internal Audit, DCC

Ref.	Finding	Audit Recommendation	Priority / Importance Level	Management Response / Action	Action by/Date
1.	<p>At the time our audit was conducted, the NHS Tayside financial framework for 2016/17 onwards was still subject to further consideration. The IJB has accepted the resources to transfer from NHS Tayside on an interim basis pending further development of the NHS Tayside budget.</p> <p>It was also noted that the resource transfer from Dundee City Council to the IJB may be subject to change pending the outcome of discussions surrounding the IJB taking a share of some specific Dundee City Council organisational-wide savings targets relating to, for example, procurement, overtime and absence.</p>	<p>We would recommend that when the final agreed figure is presented to the Dundee IJB at a future meeting, information is presented to members to allow them to understand the link from the due diligence and risk information provided in March to the final figure, in order that members can provide a final conclusion on the adequacy of resources.</p> <p>This matter should be resolved as soon as possible and the budgets and savings plans amended accordingly.</p>	2 / Significant	<p>A report will be presented to the June Dundee IJB meeting which will outline the final agreed budget position for 2016/17 and a proposed savings plan for the NHS resources delegated to the IJB. This will include an assessment of any remaining or new risks associated with the total resource to be delegated which will inform the CFO's final opinion as to the adequacy of the resources.</p>	<p>Chief Finance Officer – 28th June 2016</p>

Ref.	Finding	Audit Recommendation	Priority / Importance Level	Management Response / Action	Action by/Date
2.	The March 2016 IJB meeting received information on the amounts to be set aside for Large Hospital Services in scope. At that point, the paper did not yet set out financial risks and risk management principles to be adopted; although this has since been agreed across Tayside. However, the paper acknowledges that refinement is needed and that data used for the analysis is now outdated.	Work should be undertaken to refine the methodology for the large hospital set aside.	2 / Significant	This area has been recognised by the 3 Chief Finance Officers across Tayside and NHS Tayside Director of Finance as an area which requires further work and continues to be a focus of discussion within the finance community. This will be progressed further over the coming months as available staffing resources are confirmed.	Chief Finance Officer – initial update due 30 th September 2016

Ref.	Finding	Audit Recommendation	Priority / Importance Level	Management Response / Action	Action by/Date
3.	Our overall conclusion on the way in which the risks and assumptions have been reported to the IJB to help inform their assessment on the adequacy or otherwise of the resources to be delegated is not intended as assurance on the risks themselves. To date, a detailed savings plan to mitigate the risks identified in respect of the resources to be transferred from NHS Tayside has not been compiled.	<p>A detailed savings plan on mitigating the risks identified in respect of the resources to be transferred from NHS Tayside should be prepared and presented to the IJB.</p> <p>We have received assurance from the Chief Finance Officer that such a plan is due to be developed and presented to the June 2016 meeting of the IJB, at which point the outstanding issues referred to under Action point 1 above should also have been addressed.</p>	2 / Significant	As noted in the response to recommendation 1 above, a savings plan will be presented to the IJB at the June 2016 meeting.	Chief Finance Officer – 28 th June 2016

Ref.	Finding	Audit Recommendation	Priority / Importance Level	Management Response / Action	Action by/Date
4.	The guidance recommends that <i>'the predetermined financial metrics that officers will use in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.'</i> The IJB has not as yet addressed this.	Arrangements should be made to review actual performance against the assumptions made and where applicable adjustments made for future years. Guidance on Financial Planning for Large Hospital Set Aside should also be taken into account.	2 / Significant	This area will continue to evolve as a fundamental element of the IJB's developing performance management reporting process and will be reported to the IJB in line with agreed performance reporting timescales.	Chief Finance Officer – 30 th September 2016

Ref.	Finding	Audit Recommendation	Priority / Importance Level	Management Response / Action	Action by/Date
5.	The Integration Financial Assurance guidance states that the financial assurance process should also focus on financial governance. At the time this report was drafted, Dundee IJB did not have an approved set of financial regulations. It should be noted, however, that draft financial regulations had been compiled and circulated for comment to key stakeholders. Some comments had been received and the draft financial regulations were in the process of being updated.	The financial regulations should be finalised and presented to a future IJB meeting for approval.	2 / Significant	Dundee IJB was presented with and approved a set of financial regulations at its meeting on the 4 th May 2016.	Chief Finance Officer – 4 th May 2016

Ref.	Finding	Audit Recommendation	Priority / Importance Level	Management Response / Action	Action by/Date
6.	At the time of the fieldwork, a risk register for the Dundee IJB was in the process of being compiled by Dundee City Council, with the intention of developing it further in conjunction with NHS Tayside and to present a final register to the May 2016 IJB meeting.	Development of the risk register should progress as planned on a collaborative basis and involve a range of key stakeholders, for example via a workshop session. We would expect resources to deliver the partnership's objectives within budget to feature within the risk register.	2 / Significant	A draft risk register is currently being refined to ensure it captures the full range of risks the IJB may face. This will now be presented to the IJB meeting on the 30 th August 2016.	Chief Finance Officer – 30 th August 2016

The priorities relating to **FTF's Internal Audit recommendations** are defined as follows:

Priority 1 recommendations relate to critical issues, which will feature in our evaluation of the Governance Statement. These are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention by a Director.

Priority 2 recommendations relate to important issues that require the attention of senior management and may also give rise to material financial loss or error.

Priority 1 and 2 recommendations are highlighted to the Audit Committee and included in the main body of the report within the Audit Opinion and Findings

Priority 3 recommendations are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.

Priority 4 recommendations are recommendations that improve the efficiency and effectiveness of controls operated mainly at supervisory level. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.

The importance levels relating to **DCC Internal Audit recommendations** are defined as follows:

Critical

A key control is absent or inadequate. The existence of the weakness identified, taken independently, or with other findings, significantly impairs the overall system of control. Recommendations in this category are likely to require urgent management attention.

Significant

An element of control is missing or only partial in nature. The existence of the weakness identified, taken with other findings, has an impact on a system's adequacy and effectiveness but does not significantly impair the overall system of internal control. Recommendations in this category are seen as important in contributing towards improvement in internal controls and whilst management action is required these issues are less likely to require immediate management attention.

Routine

A weakness has been identified. However the existence of this weakness when taken independently or with other findings does not impair the overall system of internal control. Recommendations require management attention in order to make improvements to the system.