



**REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
27 JUNE 2017**

REPORT ON: DRAFT ANNUAL ACCOUNTS 2016/17

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB25-2017

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to present the Integration Joint Board's Draft Annual Statement of Accounts 2016/17 for approval to initiate the external audit process.

2.0 RECOMMENDATIONS

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

2.1 Considers and agrees the content of the Draft Final Accounts Funding Variations as outlined in Appendix 1;

2.2 Approves the Draft Dundee Integration Joint Board Annual Corporate Governance Statement as outlined in Appendix 2;

2.3 Notes the Integration Joint Board's Draft Annual Statement of Accounts 2016/17 as outlined in Appendix 3;

2.4 Instructs the Chief Finance Officer to submit the Accounts to the IJB's external auditors (Audit Scotland) to enable the audit process to commence.

3.0 FINANCIAL IMPLICATIONS

3.1 The draft annual accounts statement for the year end 31 March 2017 highlights that the IJB made an overall surplus of £4.963m in 2016/17 primarily due to the impact of planned carry forward of Change Funding to support tests of change and to meet demographic pressures in line with the IJB's Transformation Programme.

4.0 MAIN TEXT

4.1 Background

4.1.1 The IJB is required to prepare financial statements for the financial year ending 31 March 2017 following the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). The Annual Accounts report the financial performance of the IJB. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to the IJB for the delivery of the IJB's vision and its core objectives.

4.1.2 Dundee IJB became operationally responsible for delegated health and community social care services with effect from 1 April 2016 therefore these accounts reflect the first year of the IJB's financial performance of managing and delivering integrated services. As such, previous years comparison is limited to IJB running costs only given this was the basis on which the 2015/16 IJB accounts were prepared. The IJB is required to follow Local Authority Accounts (Scotland) Regulations 2014. This requires the inclusion of a management commentary and remuneration

report and recommends submission of the draft accounts by 30 June 2017 to the IJB's external auditors (Audit Scotland for 2016/17).

4.1.3 The 2016/17 Annual Accounts comprise:-

- a) Comprehensive Income and Expenditure Statement – This statement shows that Dundee Integration Joint Board made an overall surplus of £4.963m in 2016/17 on the total income of £257.5m. This overall underspend (1.9% of 2016/17 income) will be carried forward into 2017/18 through the Integration Joint Board's reserves.
- b) Against health budgets an underlying overspend of £3.462m was reported. This consisted of an overspend of £2.209m in prescribing, £1.394m net effect of charges for hosted services, with an underspend of £141k on services directly managed by the Integration Joint Board. However, in line with the risk sharing agreement agreed with NHS Tayside and Dundee City Council for the first two years of Dundee Integration Joint Board, NHS Tayside devolved further non-recurring budget to the Integration Joint Board to balance income with expenditure.
- c) Against Social Care budgets, an underlying underspend of £1.032m was reported with a further £3.931m of underspend in change funding flowing through in 2016/17 to support future years commitments. The Integration Scheme sets out that underspends will be retained by Dundee Integration Joint Board as reserves following agreement with the Partners.
- d) Movement in Reserves – Dundee Integration Joint Board carried nil reserves into 2016/17 but, due to the operating surplus noted above, has year-end reserves of £4.963m. These are held in line with the Integration Joint Board's reserves policy.
- e) Balance Sheet – In terms of routine business Dundee Integration Joint Board does not hold assets, however the reserves noted above are reflected in the year-end balance sheet.
- f) Notes - Comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.

4.1.4 It should be noted that due to a range of technical accounting and other budgetary changes, there is some variation between the original agreed levels of funding from Dundee City Council and NHS Tayside to Dundee IJB as part of the delegated budget. The details of these are set out in Appendix 1 and it is proposed that the IJB accepts these changes.

4.1.5 The annual accounts document contains a Governance and Assurance Statement which is based on a self-assessment process. The IJB governance arrangements require to be independently assessed by Internal Audit and it is proposed that the draft statement set out within Appendix 2 is submitted to Internal Audit for consideration with the outcome and any associated action plan presented to the Performance and Audit Committee and incorporated into the Annual Accounts.

4.1.6 Once submitted, Audit Scotland will assess these accounts in line with their Annual Audit Plan for Dundee IJB approved at the Performance and Audit Committee in March 2017 and produce an independent auditors' report setting out their opinion on the annual statement by 30 September 2017. The outcome of this will be incorporated into the annual accounts and will subsequently be presented to the IJB for final approval. The draft unaudited accounts are shown in Appendix 3.

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 were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 19 June 2017

Final Accounts – Funding Variations (and Adoption of Specific Presentation)

Extract - Note to Dundee Joint Integration Board regarding variations to the existing Scheme of Integration and the adoption of specific presentation of information within the framework of the International Financial Reporting Standards (IFRS).

Background

The following note provides details of variations to the delegated budget for which approval is sought by the Dundee Integration Joint Board. The adjustments and explanations for these adjustments are outlined below section 1.

In addition information has been presented within the requirements of the International Financial Reporting Standards (IFRS) and attributable supplementary Local Authority (Scotland) Accounts Advisory Committee (LASAAC). Specific applications of the guidance are outlined in section 2.

Section 1 – Variations to Delegated Budget

Local Authority Variations – The agreed delegated budget 2016/17 provided for a budgeted payment of £79.376m from Dundee City Council to the Dundee Integration Joint Board to fund the commissioning of services. . It is recognised that a number of technical year-end adjustments will result in variations in costs outwith the control of the IJB (e.g. adjustments to pension costs, inclusion of central support.). To compensate for this the Dundee Integration Joint board was provided with a corresponding increase in funding. This meant that the total funding provided to the IJB was £84.066m, an increase of £4.690m.

These year-end adjustments will be a feature of each year end accounts process. Notably they are difficult to quantify at the commencement of the financial year (e.g. pension costs adjustments can vary significantly within a single financial year) and cognisance of these variations requires to be taken of these variations in the Dundee Integration Joint Boards accounts.

The Dundee City Council adjusted funding is outlined below:-

DCC Funding to Dundee Integration Joint Board (DIJB)	£000
Initial Dundee City Council contribution to DIJB	79,376
Additional Funding from Dundee City Council	4,690
Total Funds provided by Dundee City Council	84,066

NHS Tayside Variations – The financial reporting process throughout the year highlighted significant pressures on NHS Tayside related services leading to an overspend which as part of the risk sharing arrangement was to be funded from NHS Tayside.. This means that the funding provided by NHS Tayside is in excess of that outlined in the integration agreement.

The NHS Tayside contribution also includes specific Integration funding which was provided by the Scottish Government with NHS Tayside acting as an agent. These monies have been provided to the Dundee Integration Joint Board and those not expended currently sit in the Board's reserves.

The NHS Tayside adjusted funding is outlined below:-

NHS Funding to Dundee Integration Joint Board (DIJB)	£000
Initial NHS Contribution to DIJB (incl Large Hospital Set Aside)	169,487
Add: Supplementary Budget Adjustments	1,789
Add: Additional Funding to Cover Overspends	3,462
Add: Net Effect of Hosted Services Budget	4,979
Final NHS contribution to DIJB	179,717

Section 2 – Specific application of International Financial Reporting Standards (IFRS)

Netting of Income – The Dundee Integrated Joint Board annual accounts have been prepared on the basis that all operational expenditure is shown net of income as it reflects the actual environment the board is working under. In particular the Dundee Integration Joint Board does not have the legal power to set charges for services provided by either the Council or NHS Tayside. In addition the IJB cannot pursue an action to recover income from a service recipient. More specifically it reflects the role of the Dundee Integration Joint Board as a net funding vehicle. Audit Scotland has indicated that this is the preferred approach.

To support this position the following text is included on the face of the 2016/17 Annual Accounts

“The Dundee Integration Joint Board’s Comprehensive Income and Expenditure Statement shows the net commissioning expenditure provided to partners to support services. It does not detail income received from service users as this remains the statutory responsibility of the partners.”

Offsetting of Debtors & Creditors – The Dundee Integration Joint Board accounts have been prepared on the basis that the net expenditure from Dundee City Council and NHS Tayside recognises that debtors and creditors in respect of NHS Tayside and Dundee City Council with third parties (other than the Dundee Integration Board) but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB. This essentially requires that when consolidating its accounts the Dundee Integration Joints Board have consolidated the accrued net expenditure. Therefore only debtors and creditors between Dundee Integration Joint Board and its two constituent body are detailed in the IJB’s final accounts. The only exception to this is Audit Scotland audit fees.

Annual Governance Statement

Introduction

The Annual Governance Statement explains Dundee Integration Joint Board's governance arrangements and reports on the effectiveness of the Integration Joint Board's system of internal control.

Scope of Responsibility

Dundee Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the Integration Joint Board has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the Integration Joint Board's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Dundee City Council systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the Integration Joint Board.

The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

Dundee Integration Joint Board comprises six voting members, three nominated by Dundee City Council and three nominated by Tayside NHS Board, as well as non-voting members including a Chief Officer appointed by the Integration Joint Board. Throughout 2016/17, the Integration Joint Board continued to develop and enhance its governance arrangements as it became responsible for the strategic and operational management of delegated health and social care services.

The main features of the governance framework in existence during 2016/17 were:

- The Integration Scheme as the overarching agreement as to how the planning for and delivery of delegated health and social care services is to be achieved, including a range of governance arrangements remained unchanged during 2016/17.
- Dundee Integration Joint Board has appointed its senior leadership team including the appointment of the Chief Officer in accordance with Section 10 of The Public Bodies (Joint Working) (Scotland) Act 2014 and the Chief Financial Officer in terms of section 95 of the Local Government (Scotland) Act 1973. The Chief Financial Officer has overall responsibility for the Integration Joint Board's financial arrangements and is professionally qualified and suitably experienced to lead the Integration Joint Board's finance function and to direct staff accordingly.
- Standing Orders, Financial Regulations and a Code of Conduct including the publication of Register of Member's Interests and the nomination of the Clerk to the Integration Joint Board as Standards Officer were all in place during 2016/17.
- A Performance and Audit Committee was established as a Sub Committee of Dundee Integration Joint Board to enhance its audit, scrutiny and performance monitoring arrangements in line with regulations and good practice governance standards in the public sector.
- Internal Audit arrangements for 2016/17 were approved including the appointment of the Chief Internal Auditor with a partnership approach to internal audit services to the Dundee Integration Joint Board between Fife, Forth Valley and Tayside Internal Audit Services and Dundee City Council's Internal Audit Service. An Internal Audit Plan for 2016/17 was approved drawing on resources from both organisations.

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2016/17 this included the following:

- The governance arrangements between Dundee Integration Joint Board, Dundee City Council and NHS Tayside were consolidated into a single document (Report DIJB21-2016) on 4 May 2016.
- A Risk Management Policy and Strategy and a High Level Risk Register for the Integration Joint Board with regular review were developed and approved.
- An Equalities Outcomes and a Mainstreaming Equalities Framework with associated performance measures to meet its obligations under Equalities legislation was adopted by the Integration Joint Board.
- The level of assurance provided by the Chief Internal Auditor as part of the 2015/16 Internal Audit Review in that Dundee Integration Joint Board had adequate and effective controls in place proportionate to its responsibilities at the time and recommended actions was noted by the Integration Joint Board.
- Dundee Integration Joint Board noted the Chief Internal Auditors opinion that the financial assurance / due diligence process followed was robust and carried out in line with guidance with acknowledgement of the level of collaborative working which took place throughout the process and the recommended actions which followed.
- A new Complaints Procedure for the Integration Joint Board was developed.
- The performance management framework was developed with a range of performance reports published throughout the year, including specific areas such as Discharge Management performance and Measuring Performance Under Integration, initially to the Integration Joint Board and subsequently to the Performance and Audit Committee once established.
- The 2016/17 delegated budget was approved by Dundee Integration Joint Board, with the risk sharing arrangement with NHS Tayside invoked for specific areas such as prescribing whereby the financial risks of those budgets would remain with NHS Tayside.
- A process of regular reporting of financial performance and monitoring to the Integration Joint Board was in place throughout 2016/17.
- The Integration Joint Board received in-year reporting of progress made in meeting the strategic priorities as set out in the Strategic & Commissioning Plan.
- The Integration Joint Board received in-year reporting on issues relating to Clinical, Care and Professional Governance.
- The wider financial settlement facing Dundee City Council and NHS Tayside and estimated implications for Dundee Integration Joint Board in 2017/18 and beyond were communicated to the Integration Joint Board as part of the Revenue Budget setting process with a subsequent budget proposal for 2017/18 and approved Transformation Programme.
- A process of ensuring the Performance & Audit Committee has sight of a range of external scrutiny reports relating to delegated services from scrutiny bodies such as the Care Inspectorate and Mental Welfare Commission and supporting subsequent action plans is in place.
- Dundee Integration Joint Board has adopted Audit Scotland's Annual Audit Plan 2016/17.
- Dundee Integration Joint Board has approved a Reserves Policy.

Dundee Integration Joint Board complies with "The Role of the Head of Internal Audit in Public Organisations" (CIPFA) and operates in accordance with "Public Sector Internal Audit Standards" (CIPFA). The Head of Internal Audit reports directly to the Performance and Audit Committee with the right of access to the Chief Financial Officer, Chief Officer and Chair of the Performance and Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the Performance & Audit Committee.

Review of Adequacy and Effectiveness

Dundee Integration Joint Board is required to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review is informed by the work of the Senior Management Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal

auditors and the Chief Internal Auditor's annual report, and reports from external auditors and other review agencies and inspectorates.

The review of Dundee Integration Joint Board's governance framework is supported by a process of self-assessment and assurance certification by the Chief Officer. The Chief Officer completes a "Self-assessment Checklist" as evidence of review of key areas of the Integration Joint Board's internal control framework. The Senior Management Team has input to this process through the Chief Financial Officer. In addition, the review of the effectiveness of the governance arrangements and systems of internal control within the Health Board and Local Authority partners places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control. There were no significant internal control issues identified by the self-assessment review.

Throughout the year, the Performance and Audit Committee has considered a range of issues which cover its core responsibilities in providing the Integration Joint Board with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance arrangements. The Chair of the Performance and Audit Committee provides an update to the next available Integration Joint Board meeting on the issues raised and any areas of concern which the Integration Joint Board should be made aware of. Over the course of 2016/17, no such areas of concern were noted by the Chair of the Performance and Audit Committee.

The review is subject to assessment and comment by Internal Audit who will reflect their findings and any recommendations in an Audit Report to be presented to the Performance and Audit Committee in July 2017. An action plan to meet any identified recommendations will be produced and agreed by the Performance and Audit Committee and will be incorporated into the above Annual Governance Statement to form the final Annual Accounts Statement.

Conclusion and Opinion on Assurance

While recognising that the above Annual Governance Statement is subject to Internal Audit assessment, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Dundee Integration Joint Board's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the Integration Joint Board's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.

