

Dundee City Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for Dundee City Integration Joint Board

April 2021

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 and addendum](#).
2. The audit plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit, as explained in [Exhibit 5](#). We make a public report of conclusions on these matters in our annual audit report to the Integration Joint Board and the Controller of Audit.
3. Our plan assumes that the annual accounts audit will be completed by 30 November 2021. We have included delivery timetables at [Exhibits 2](#) and [4](#). While we will endeavour to meet the delivery timetable, if circumstances arise which necessitates a later completion date, we will liaise with management to agree an alternative timetable.

Impact of Covid-19 on public audit

4. The Accounts Commission and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work, including annual accounts audits and the programme of performance audits. Audit timetables which were possible before Covid-19, cannot be achieved in 2020/21. The safety of audit teams and client staff and the delivery of high-quality audits remain paramount.
5. Maintaining a pragmatic and flexible approach will enable change as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary. A January 2021 update paper from Audit Scotland, [Covid-19 What it Means for Public Audit](#), restates the principles and approach we are taking in response to the pandemic public safety measures in Scotland.

Adding value

6. We seek to add value to Dundee City Integration Joint Board by identifying areas of improvement and recommending and encouraging good practice on financial sustainability, governance, risk management and performance. In so doing, we aim to help the organisation promote improved standards, better management and decision making, and more effective use of resources.

Audit risks

7. Based on our discussions with staff, attendance at board and committee meetings and a review of supporting information we have identified the following significant audit risks for Dundee City Integration Joint Board (the IJB) detailed in [Exhibit 1](#). The significant audit risks have been categorised into financial statements risks and wider dimension risks.

Exhibit 1

2020/21 Significant audit risks

Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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. Assurances will be obtained from the auditors of Dundee City Council and NHS Tayside over the IJB financial information controls.
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>Audit Scotland's Code of Audit Practice requires that auditors should plan to address the risk that the financial statements may be materially misstated as a result of fraud over expenditure. The expenditure of the IJB is processed through the financial systems of Dundee City Council and NHS Tayside.</p> <p>There is a risk that non IJB related expenditure is incorrectly included or excluded from IJB account codes.</p>	<ul style="list-style-type: none"> Regular budget monitoring and reporting. Assurances provided to the IJB by Dundee City Council and NHS Tayside on the controls in place, and completeness and accuracy of transactions coded to IJB account codes. 	<ul style="list-style-type: none"> Assurances will be obtained from the auditors of Dundee City Council and NHS Tayside in relation to the IJB financial information controls and over the completeness, accuracy and appropriate allocation of the IJB ledger entries.
<p>3 Hospital acute services (set aside)</p> <p>The "set aside" figure in the annual accounts is the IJB's share of the budget for delegated acute services provided by hospitals on behalf of the IJB. The figure is estimated based on prior year data and activity levels.</p> <p>There is a risk the estimate does not reflect actual activity levels. Any degree of estimation requiring judgement in a material figure, such as the set aside presents a risk of misstatement in the accounts.</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. 	<ul style="list-style-type: none"> Review the set aside calculation in the 2020/21 annual accounts. Review Scottish Government guidance on the treatment of set aside in the 2020/21 financial statements to establish whether the financial statements are compliant.
Wider dimension risks		
<p>4 Financial sustainability</p> <p>The IJB approved its 5 Year Financial Framework covering 2021/22 to 2025/26 in March 2021. The framework sets out: the estimated required budget and</p>	<ul style="list-style-type: none"> Going concern assurance received from the Chief Finance Officer (CFO) of the IJB. 	<ul style="list-style-type: none"> Review of the CFO's assessment of going concern for the 2020/21 annual accounts. Monitor developments with savings, transformation and

Audit Risk	Source of assurance	Planned audit work
<p>estimated funding to be provided; the financial challenges experienced in the period 2016/17 to 2020/21; the national and local context; key risks and financial challenges for the IJB; and the principles under which the IJB will approach the financial challenges.</p> <p>The framework notes a potential funding gap of £18.202 million over the 5 years, excluding the impact of estimated increased demand for health and social care services as a result of Covid-19.</p> <p>There is a risk that IJB services are not sustainable and the IJB is unable to achieve its Strategic and Commissioning Plan priorities and commitments.</p>	<ul style="list-style-type: none"> • Savings and transformation update reporting to be developed to enhance the regular IJB financial monitoring reports, to demonstrate progress made with implementation of service change initiatives. • An update on progress against the Strategic and Commissioning Plan to be presented to a future meeting of the Board. • The 5 Year Financial Framework will be revised to reflect the impact of Covid-19 once relevant information is available, including population health data. • The IJB will undertake an assessment of its reserves position. 	<p>reserves reporting enhancements to the regular IJB financial monitoring reports.</p> <ul style="list-style-type: none"> • Monitor reporting against the Strategic and Commissioning Plan. • Monitor progress in developing a revised Financial Framework reflecting the impact of Covid-19.
<p>5 Services pressures created by Covid-19</p> <p>The Covid-19 pandemic continues to place significant pressure on the provision of health and social care services delivered by the IJB.</p> <p>There is a risk that Covid-19 pressures will impact on the IJB's ability to meet its objectives within the 2019-2022 Strategic and Commissioning Plan.</p>	<ul style="list-style-type: none"> • Regular monitoring and reporting to the IJB on the progress against the strategic objectives and the directions to the partner bodies. • Performance monitoring reports to the PAC. 	<ul style="list-style-type: none"> • Review progress against strategic objectives reported within the IJB's 2020/21 Annual Performance Report. • Review performance reports to assess the impact of Covid-19 on the IJB's performance targets.
<p>6 Improvement agenda - action plan progress</p> <p>From its inception the IJB has experienced significant delays in progressing its improvement and governance actions. This issue was escalated to the Board from the Performance and Audit Committee (PAC) in 2020. Delays have also impacted the implementation of internal audit recommendations, some of which are due to statutory partners interdependencies.</p>	<ul style="list-style-type: none"> • The CFO, with support from Internal Audit will be review and prioritise outstanding actions. • The IJB will continue to work with the statutory partners to progress the implementation of the identified actions. 	<ul style="list-style-type: none"> • Review the CFO's evidence to support the IJB's 2020/21 annual governance statement. • Monitor developments with the CFO review of the governance action plan. • Review governance action plan reporting to the PAC.

Audit Risk	Source of assurance	Planned audit work
<p>There is a risk that governance arrangements are not appropriate or operating effectively.</p>		
<p>7 Risk management</p> <p>Progress has been slow to implement the recommendations from the risk maturity internal audit, reported in September 2018. The Tayside Risk Management Group, formed in 2020 in response to the internal audit report, has been working to address the audit findings.</p> <p>The group has now developed the Tayside Risk Strategy, which was approved by the Board at its April 2021 meeting. Further actions remain to be completed, including reviewing the IJB's risk management policy.</p> <p>Until risk management arrangements are updated and embedded there is a risk that exposure to risks may not be understood, highlighted and appropriately prioritised and mitigated through management controls.</p>	<ul style="list-style-type: none"> • The Tayside Risk Management Group will continue to meet to take forward risk management arrangements and best practice developments. • The CFO will undertake a review of the IJB's risk management policy following the adoption of the new strategy. • The Board and PAC are updated on progress against outstanding actions. 	<ul style="list-style-type: none"> • Monitor progress with the implementation of outstanding actions, the review of the IJB's risk management policy and the ongoing work of the Tayside Risk Management Group. • Monitor risk management and register reporting to the Board and the PAC.

Source: Audit Scotland

8. International auditing standards require that auditors plan for a presumed risk of fraud over income. We have considered this risk in respect of the IJB which is wholly funded by Dundee City Council and NHS Tayside. Taking account of the controls in place, the nature of the IJB's income and the reduced scope for the manipulation and extraction of income we assess that the risk of material misstatement arising from fraud over income is limited. This limitation means that we are able to rebut the risk of fraud over income and not include it in our significant audit risks.

Reporting arrangements

9. 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.

10. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy, prior to the issue and publication of final reports.

11. We will provide an independent auditor's report to Dundee City Integration Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Board 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

2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	30 April 2021	26 May 2021
Independent Auditor's Report	30 November 2021*	24 November 2021
Annual Audit Report	30 November 2021*	24 November 2021

* The target dates included above are those specified in Audit Scotland's 2020/21 guidance on planning the audit – addendum.

Source: Audit Scotland

Audit fee

12. The agreed audit fee for the 2020/21 audit Dundee City IJB is £29,215 (2019/20: £28,390). In determining the audit fee, we have taken account of the risk exposure of the IJB and the planned management assurances in place. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 30 June 2021.

13. In certain circumstances a supplementary fee may be levied, for example, in relation to any work or other significant exercises out with of our planned audit activity.

Responsibilities

Performance and Audit Committee and Chief Finance Officer

14. 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.

15. For Dundee City Integration Joint Board, the Chief Finance Officer is the proper officer (section 95 officer), with responsibility for the administration of financial affairs. The Joint Board has delegated responsibility for the oversight of internal and external audit to its Performance and Audit Committee.

16. 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

17. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

18. 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 IJB to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

19. 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
- assessing how weaknesses in the key systems of internal control could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how these will be reflected 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 from material misstatement.

20. 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 2021 and of the income and expenditure for the year then ended
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- the annual accounts have been prepared in accordance with relevant legislation.

Other information in the annual accounts

21. We also review and report on 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 prepared in accordance with the appropriate regulations and frameworks in our independent auditor's report.

22. We also review the content of the other information for consistency with the financial statements and with our knowledge of the IJB. We report any uncorrected material misstatements in other information.

Materiality

23. We apply the concept of materiality in planning and performing the audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements in forming our opinions in the independent auditor's report.

24. 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](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

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 annual accounts, rounded.	£2.800 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, rounded.	£1.700 million
Reporting threshold – 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 4% of planning materiality, rounded.	£0.100 million

Source: Audit Scotland

Timetable

25. The Accounts Commission expects the issue of Independent Auditor's Reports by the end of November 2021. In common with audited bodies we face resourcing challenges arising from the Covid-19 disruption. Our prime objective is to provide a high-quality audit on a cost-efficient basis while ensuring the safety of client and audit staff. We are planning to complete the audit and issue the Independent Auditor's Report, to synchronise with committee meeting dates within this timeframe. However, if it becomes apparent that we cannot achieve this, then our timetable may need to be amended. If this happens, we will communicate this to management at the earliest opportunity, with a view to agreeing a revised completion timetable.

26. Notwithstanding the foregoing, we include an agreed timetable at [Exhibit 4](#) which takes into account submission requirements and planned Performance and Audit Committee meeting dates.

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by the Performance and Audit Committee	23 June 2021
Latest submission date of unaudited annual accounts with complete working papers	30 June 2021
Latest date for the final clearance meeting with the Chief Finance Officer	29 October 2021
Issue of Letter of Representation and proposed independent auditor's report and Annual Audit Report	10 November 2021
Agreement of audited unsigned annual accounts	12 November 2021
Meeting of the Performance and Audit Committee to approve the audited annual accounts for signature by the Chair, Chief Officer and Chief Finance Officer	24 November 2021
Independent auditor's report certified by the appointed auditor	24 November 2021

Source: Audit Scotland

Internal audit

27. 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. In line with auditing standards, 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). Overall, we concluded that the internal audit service generally operates in accordance with the PSIAS.

28. We note in previous years that there has been slippage in the delivery of internal audit plans, in part due to pressures on management to engage with the audit process. Consequently, for the 2020/21 plan the Board approved it would reflect previously agreed outstanding audits, with updated scopes rather than create a new further plan. Some of the key audits from the 2020/21 plan have been delivered. Notwithstanding this we will continue to monitor progress in the delivery of internal audit plans as delays of this nature presents a risk that Members may not be able to scrutinise key risk areas timeously as audits are delayed.

Using the work of internal audit

29. 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.

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



Source: Code of Audit Practice

Financial sustainability

31. 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 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, including how the IJB adapts its plans in response to Covid-19
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

32. 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:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established
- the arrangements in place to receive assurances that systems of internal control are operating effectively.

Governance and transparency

33. 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 governance arrangements are appropriate and operating effectively, including in response to Covid-19 disruption
- whether there is effective scrutiny, challenge and transparency of decision-making, and finance and performance reports
- the quality and timeliness of financial and performance reporting
- progress with of a programme of development and training opportunities for members, co-ordinated alongside those of Dundee City Council and NHS Tayside
- progress with the appointment of a registered medical practitioner providing primary care.

Value for money

34. 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
- there is sufficient focus on improvement and the pace of it.

Best Value

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

EU withdrawal

36. The United Kingdom's transition period for leaving the European Union ended on 31 December 2020. We will continue to monitor the steps taken by the Joint Board to minimise any disruption caused by EU withdrawal.

Independence and objectivity

37. 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.

38. The engagement lead (i.e. the 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

39. International Standard on Quality Control 1 (ISQC 1) 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.

40. 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.

41. 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 appointed auditor or to Audit Scotland's Audit Quality and Appointments group.

Dundee City Integration Joint Board

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