

# Dundee City Integration Joint Board

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for the Dundee City Integration Joint Board

March 2022

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# Introduction

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## Summary of planned audit work

**1.** This document summarises the work plan for our 2021/22 external audit of Dundee City Integration Joint Board (the Joint Board). The main elements of our work include:

- an audit of the 2021/22 annual accounts to support our opinions on the financial statements
- work to support our opinions on the statutory other information published within the annual accounts including the Management Commentary, the Annual Governance Statement and the Remuneration Report
- consideration of arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency and value for money that frame the wider scope of public sector audit
- consideration of Best Value arrangements
- review the Joint Board's arrangements for preparing and publishing its Annual Performance Report.

## Impact of Covid-19

**2.** The coronavirus disease (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

**3.** The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required. Any such changes will be communicated to the Joint Board at the earliest opportunity.

## Adding value

**4.** We aim to add value to 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 will help the Joint Board promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend

meetings of the Joint Board, and the Performance and Audit Committee (PAC) and participate in discussions where appropriate.

## Respective responsibilities of the auditor and Joint Board

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and the Joint Board, Chief Officer and Chief Finance Officer. Key responsibilities are summarised below.

### Auditor responsibilities

6. 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.

7. 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.

### The Joint Board, Chief Officer and Chief Finance Officer responsibilities

8. The above are responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. Also, they have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance and propriety that enable them to deliver their objectives.

10. The audit of the annual accounts does not relieve management or the Joint Board of their responsibilities.

### Communication of fraud or suspected fraud

11. In line with International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*; in presenting this audit plan to the Joint Board we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud that should be brought to our attention. Should members of the Joint Board have any such knowledge or concerns relating to the risk of fraud within Dundee City Integration Joint Board, we invite them to communicate this to the appointed auditor for consideration.

### Managing the transition to 2022/23 audits

12. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

# Annual accounts audit planning

## Materiality

**13.** Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2021/22 audit

**14.** We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for the Joint Board are set out in [Exhibit 1](#).

## Exhibit 1

### 2021/22 Materiality levels for the Joint Board

Materiality	Amount
<b>Planning materiality</b> – 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 gross expenditure for the year ended 31 March 2022 based on the latest audited annual accounts for 2020/21.	£2.926 million
<b>Performance materiality</b> – 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 assessed performance materiality at 60% of planning materiality.	£1.756 million
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.120 million

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**15.** Our risk assessment draws on our cumulative knowledge of the Joint Board, its major transaction streams, key systems of internal control and risk management processes. Also, it is informed by our discussions with management, meetings with

internal audit, attendance at the Joint Board and PAC meeting and a review of supporting information.

**16.** Based on our risk assessment process, we identified the following significant risk of material misstatement to the financial statements. This risk which has the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

## Exhibit 2

### 2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>Assurance will be obtained from the auditors of NHS Tayside and Dundee City Council over the completeness, accuracy and allocation of income and expenditure.</li> <li>We will consider any unusual material transactions identified through our audit testing for any evidence of management override of controls.</li> </ul>

Source: Audit Scotland

**17.** Based on our assessment of the likelihood and magnitude of risk, we have assessed that there are currently no other risks of material misstatement for the 2021/22 audit of Dundee City Integration Joint Board. We will keep this under review as our audit progresses. If our assessment of audit risk changes and we consider risks identified to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

### Consideration of the risks of fraud in the recognition of income and expenditure

**18.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the annual accounts. The Joint Board is wholly funded by NHS Tayside and Dundee City Council. We

assessed that the risk of material misstatement arising from fraud over income is limited. As a result, we have rebutted and excluded the risk of fraud over income from our significant audit risks.

**19.** In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2021/22 as we do not consider this to be a significant risk for the Joint Board. This is on the basis that all transactions are processed by the partner bodies rather than the Joint Board directly and that all expenditure is undertaken by the partners who are public sector bodies.

**20.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures. Our audit testing will maintain an oversight of any unusual material transactions or accounting entries.

### **Audit risk assessment process**

**21.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

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# Audit dimensions and Best Value

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## Introduction

22. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

## Audit dimensions

23. The four dimensions that frame our audit work are shown in [Exhibit 3](#).

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### Exhibit 3

#### Audit dimensions



Source: Code of Audit Practice

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24. In summary, the four dimensions cover the following:

- **Financial management** – financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Financial sustainability** – 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).

- **Governance and transparency** – 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.
- **Value for money** – value for money refers to using resources effectively and continually improving services.

**25.** In our 2020/21 annual audit report we reported that the Joint Board had made improvements to its governance action plan process, whilst noting also that since its inception the Joint Board has experienced significant delays in progressing its improvement and governance actions. This remains to be the case. We will continue to monitor progress with the implementation of the Joint Boards improvement actions, in particular those related to key areas such as risk management; board members development; and clinical and care governance reporting to the PAC.

**26.** As part of our audit planning work, we identified a number of public performance reporting and governance improvements areas, including the availability and currency of information on the Joint Board's website. These include: the Joint Board's membership and register of interests details on the website requiring to be updated to reflect changes; the Scheme of Delegation and financial regulations not being easily accessible on the website; and the need to update the PAC's terms of reference to meet fully best practice guidance. These areas have been communicated to management who are considering how to address them. Along with our other wider dimension audit monitoring we will report an update in our 2021/22 Annual Audit Report.

## Best Value

**27.** The Joint Board has a statutory duty to make arrangements to secure Best Value. We will consider and report, where necessary, on these arrangements.

## Audit dimension risks

**28.** We have identified audit risks in the areas set out in [Exhibit 4](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks. The conclusions from this work will be reported in our 2021/22 Annual Audit Report.

## Exhibit 4

### 2021/22 Audit dimension risks

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Covid-19 recovery and transformation</b></p> <p>The Joint Board continues to deal with the operational and financial impact of the Covid-19 pandemic, alongside its ongoing service pressures. Major challenges include:</p> <ul style="list-style-type: none"> <li>• financial sustainability of services</li> <li>• capacity to deliver services</li> <li>• recruitment, wellbeing and retention of staff</li> </ul> <p>The Joint Board's longer-term plans to transform services are key to sustainability of the services. Links between the recovery plans and the board's financial planning, its Strategic and Commissioning Plan, and workforce planning are essential.</p> <p><b>Risk:</b> the Joint Board does not deliver against its Strategic and Commissioning Plan priorities.</p>	<ul style="list-style-type: none"> <li>• The Five-Year Financial Framework is being updated to reflect the impact of Covid-19 and remobilisation plans.</li> <li>• Regular monitoring and reporting to the Joint Board on the progress against the strategic objectives and the directions to the partner bodies.</li> <li>• Performance monitoring to the Performance and Audit Committee.</li> <li>• Development of a balanced 2022/23 budget.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor progress with the development and reporting against the Joint Board's updated Five-Year Financial Framework.</li> <li>• Monitor reporting against accumulated reserves and earmarked funding.</li> <li>• Review progress against strategic objectives within the Joint Board's 2021/22 Annual Performance Report.</li> </ul>
<p><b>2. Integration scheme</b></p> <p>Work by the partners to progress the production of a revised Integration Scheme has progressed more slowly than planned in part due to pandemic pressures.</p> <p>A draft of the proposed revised integration scheme for the Joint Board has been submitted to the Tayside Chief Executives Group for consideration, prior to public consultation, preceding submission to Scottish Ministers for approval by the end of June 2022.</p>	<ul style="list-style-type: none"> <li>• Engagement with partner bodies to seek approval and implementation of the revised integration scheme.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor progress in the approval and implementation of the revised Integration Scheme.</li> <li>• Review updated governance documents and assess whether they accurately reflect the terms of the revised Integration Scheme.</li> </ul>

Description of risk	Sources of assurance	Planned audit response
<p>When the revised integration scheme is approved by the partner bodies, changes to the Integration Scheme will need to be reflected in the Joint Board's supporting governance documents such as its: standing orders; scheme of delegation; and financial regulations.</p> <p><b>Risk:</b> The Integration Scheme and supporting governance documents do not reflect the current operation of the Joint Board.</p>		
<p><b>3. Board membership changes and development</b></p> <p>The membership of the Joint Board will be changing during 2022 due to routine membership changes and the local government elections in May. This makes the development of an effective induction and ongoing development programme for all Joint Board members more urgent. Previous plans to develop a programme of development and training opportunities have not progressed as planned. This has been a recognised priority for a number of years.</p> <p><b>Risk:</b> There is a risk that leadership and governance arrangements are not effective if members are not sufficiently trained and supported.</p>	<ul style="list-style-type: none"> <li>• Development of IJB induction programme and evidence of attendance by board members.</li> <li>• Subject specific development sessions and evidence of attendance.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor progress with the establishment of an induction and development programme for Joint Board members.</li> </ul>

Source: Audit Scotland

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**29.** Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 5](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**30.** 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 officers to confirm factual accuracy.

**31.** We will provide an independent auditor's report to the Joint Board Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Board and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**32.** [Exhibit 5](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 October 2022. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19.

**33.** Due to the May 2022 Local Government elections, the committee dates from June 2022 onwards are yet to be finalised\*. However, our audit work has been scheduled to ensure the planned statutory deadline is met.

## Exhibit 5 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31 March 2022	20 April 2022 (the Joint Board)
Independent Auditor's Report	18 October 2022	*26 October 2022 (the Joint Board)
Annual Audit Report	18 October 2022	*26 October 2022 (the Joint Board)

Source: Audit Scotland

## Timetable



**34.** To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 6](#) that has been discussed with management.

**35.** Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. To this end, 2021/22 is a transition year with the reporting deadline brought forward by one month relative to the two prior years.

**36.** We will continue to work in close partnership with management with clarity over timescales and the requirement for high quality unaudited annual accounts and supporting working papers. Progress will be discussed with management over the course of the audit.

## Exhibit 6

### Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	*22 June 2022 (the Joint Board)
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	By 30 June 2022
Latest date for final clearance meeting with the Chief Finance Officer	12 October 2022 (TBC)
Agreement of audited and unsigned annual accounts	14 October 2022 (TBC)
Issue of Proposed Annual Audit Report to those charged with governance (including Letter of Representation and proposed independent auditor's report) *	18 October 2022 (TBC)
Meeting of the Joint Board to approve the audited annual accounts for signature by the Chair, Chief Officer and Chief Finance Officer	*26 October 2022
Signed Independent Auditor's Report	*26 October 2022

\* The finalised Annual Audit Report will be issued after the audited 2021/22 annual accounts are certified.

Source: Audit Scotland

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## Audit fee

**37.** The audit fee for the 2021/22 audit of the Joint Board is £27,960 (2020/21: £29,215). In determining the audit fee, we have taken account of the risk exposure of the Joint Board, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

**38.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, the absence of adequate supporting working papers or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

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# Other matters

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## Internal audit

**39.** International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures;
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort;
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities; and
- evaluate and test the work of internal audit, where use is made of that work for our financial statements responsibilities to confirm its adequacy for our purposes.

**40.** The Joint Board's internal audit function is provided by FTF Audit and Management Services (FTF), supported by Dundee City Council's internal audit section, and overseen by FTF's Chief Internal Auditor. We have reviewed the Joint Board's internal audit function and found that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

**41.** From our initial review of the internal audit plans, we do not plan to place formal reliance on internal audit's work for our financial statements' responsibilities. We may consider aspects of internal audit's work in respect of our wider audit dimension responsibilities.

## Independence and objectivity

**42.** Auditors appointed by the Auditor General for Scotland or Accounts Commission 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.

**43.** 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

**44.** International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be 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.

**45.** 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.

**46.** 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 Integration Joint Board

## Annual Audit Plan 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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