



**DUMFRIES AND GALLOWAY
INTEGRATION JOINT BOARD**

**Annual Report and Financial Statements
For Period Ended 31 March 2016**

Quick Guide

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Overview

All Integration Joint Boards are required to prepare a published Annual Report and Financial Statements.

The Integrated Resources Advisory Group (IRAG) guidance and advice on financial matters for Health Boards and Local Authorities is the technical accounting guide that has been followed in the preparation of these accounts. In addition further guidance was issued by LASAAC (The Local Authority (Scotland) Accounts Advisory Committee) which has also been considered.

Timetable

The following table sets out the key dates in relation to the production of the Annual Report and Financial Statements:

Detail	Deadline
Draft submitted to Auditors' for review	12 th Aug 2016
Clearance meeting with PwC	31 st Aug 2016
Presented to Audit & Risk Committee for recommendation to Board	19 th Sept 2016
Presented to Board for approval and signing	21 st Sept 2016
Publication of audited annual accounts	30 th Oct 2016

Summary of Published Accounts

The document can be grouped into three main areas:

- **Annual Report**

- Section 1 - Management Commentary
- Section 2 - Statement of Responsibilities
- Section 3 - Annual Governance Statement
- Section 4 - Remuneration Report

- **Financial Statements**

- Section 5 - Core Financial Statements
- Section 6 - Notes

- **Independent Auditors' Report**

- Section 7 - Independent Auditors' Report

In addition a glossary of terms is included as Section 8.

Annual Report

Sections 1 – 4, Pages 3 - 16

The sections included here should provide the reader with a fair, balanced and understandable picture of the Integration Board. What it is; who it is; its main objectives, strategies and principal risks; performance, both financially and organisationally; specific responsibilities of the Integration Board and key accountability requirements.

Management Commentary

No formal guidance has been issued on what to include in the management commentary, as a minimum it must report the purpose and objective and a high level operating review.

Statements of Responsibilities

Both the Chair on Behalf of the full Integration Board and the Chief Finance Officer are required to sign separate declarations to confirm they understand the responsibilities upon them to conduct the business of the IJB.

Annual Governance Statement

The Governance Statement should be assembled from assurances gained throughout the year about the organisation's performance, risk management and internal control framework, including responses to actual and emerging risks and its success in managing them.

The IRAG guidance prescribes a proposed format and states that the Integration Joint Board governance statement will be prepared as required by the Code of Practice with the detailed content determined by local arrangements including:

- The governance framework including the operation of the board or subcommittees if relevant;
- Assessment of the corporate governance arrangements with reference to compliance with generally accepted best practice principles;
- Assessment of the risk management arrangements and risk profile; and
- Assessment of the system of internal control;

Where the Health Board and Local Authority are delivering services on behalf of the Integration Joint Board these will be included in the reporting of their own annual governance statements.

Remuneration Report

The IRAG guidance prescribes a proposed format for the Remuneration Report and requires the following information to be included:

- Membership of the IJB
- Senior Officers
- Remuneration policy
- Remuneration
- Pension Benefits

Financial Statements

Sections 5 – 6, Pages 17 - 24

The financial statements consist of three primary statements. The IJB does not hold cash or cash equivalents and therefore a Cash Flow Statement is not required.

The three primary statements produced are:

- The Statement of Comprehensive Income and Expenditure

This shows at a high level the surplus or deficit on provision of services broken down by income and expenditure on Health and Social Care activities and Corporate Services.

As this is the first year of accounting no comparative information is included.

- The Balance Sheet

This provides a snapshot of the Board's financial position at a point in time, recording the Board's Assets and Liabilities. The top half shows the total net assets (assets minus liabilities) and the bottom half shows the matched reserves held by the Board.

- Movement in Reserves Statement

In the first period of the IJB there is neither a surplus nor a deficit and therefore no reserves have been created.

No movement in reserves statement has therefore been produced.

A range of notes (1-11) provide a further level of analysis to the numbers included within the primary statements including Note 1 which is the accounting policies adopted.

Given the limited number of transactions in the shadow year of operation the financial statements and associated notes are minimal.

Independent Auditors' Report

Sections 7, Pages 24 - 27

All Integration Boards are required to have their financial statements audited. The audit opinion is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

The form and content of the report is the responsibility of the auditor.

Role of Audit and Risk Committee

The following is an extract from Financial Reporting Section 5.7 of the Audit Committee Handbook used by the NHS which sets out the role of Audit Committee in relation to the Annual Accounts which may be useful to members of the Integration Joint Board.

The Audit Committee will not itself be able to review the accounts in detail in order to advise the Accountable Officer whether they are true and fair. In reaching a view on the accounts, the Audit Committee should consider:

- key accounting policies and disclosures;
- assurances about the financial systems which provide the figures for the accounts;
- the quality of the control arrangements over the preparation of the accounts by the Finance Director;
- key judgements made in preparing the accounts; and
- any disputes arising between those responsible for preparing the accounts and the auditors.

The following section gives a brief outline of the information contained within the accounts and also a management response to the considerations highlighted above.

Audit and Risk Committee Considerations

The following section provides information to members of Audit and Risk Committee on the areas which they should consider in relation to the financial statements.

Key accounting policies and disclosures

Accounting policies are shown as Note 1 to the accounts, starting on page 19. This provides a good level of detail on how the IJB will account and report financially.

All material changes to accounting policies require to be presented to Audit and Risk Committee for approval. All minor changes will be actioned on the authority of the Chief Finance Officer and reported through to Audit and risk Committee as necessary.

All required disclosures have been included in the Annual Report and Financial Statements and no significant weaknesses have been highlighted within the Governance Statement.

Assurances about the financial systems which provide the figures for the accounts

The figures used to generate the trial balance for the shadow period have been produced manually; this was a total of 3 transactions.

To produce the accounts in the required primary statements and associated notes format the Board use an excel model to convert the trial balance. The model is reviewed by the auditors and the numbers populated are cross checked to the published accounts.

Moving forward a robust reporting system will be required to produce the financial statements and associated notes.

The quality of the control arrangements over the preparation of the accounts by the Finance Director

The preparation of the accounts for 2015/16 was by the Deputy Director of Finance – Governance and Financial Accounting a qualified accountant working in NHS Dumfries and Galloway. This work was overseen by the Chief Finance Officer, also a qualified accountant.

IRAG and LASAAC technical guidance was used where available and support sought from members of the Dumfries and Galloway Council finance department as required.

A detailed year end timetable and checklist is used to ensure that the overall delivery timetable is adhered to.

Key judgements made in preparing the accounts

Note 3 and 4 on page 23 of the Notes to Core Financial Statements highlights what critical judgements are made in applying Accounting Policies and what assumptions are made about the future and other major sources of estimation uncertainty.

For the shadow period, no critical judgements or assumptions have been made.

Any disputes arising between those responsible for preparing the accounts and the auditors

There were no disputes arising with the auditors; both the NHS Dumfries and Galloway team and the PwC audit team worked well together to deliver the accounts against a short timescale.

A schedule of changes was maintained throughout the audit process and any changes were agreed with auditors in advance of adjustment.

No control points were raised by PwC as part of this audit

Role of Integration Joint Board

Page 7 of the Annual Report and Financial Statements sets out the statement of IJB responsibilities

To discharge these, reliance must be placed on:

- the assurances provided by the Audit and Risk Committee
- the annual report from the external auditors
- the assurances gained through the year as a member of the Board and its standing committees

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