

East Renfrewshire Integration Joint Board

2019/20 Annual Audit Report - DRAFT



Prepared for the East Renfrewshire Integration Joint Board and the Controller of Audit

23 September 2020

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Key messages

2019/20 annual report and accounts

- 1 Our audit opinions on the annual accounts of the East Renfrewshire Integration Joint Board (the IJB) are unqualified and report that the accounts present a true and fair view of the financial position of the IJB.
- 2 Whilst Covid-19 created additional challenges for both IJB and audit staff, key dates in the financial reporting process remain unchanged.

Financial management and sustainability

- 3 The IJB has appropriate and effective financial management arrangements in place to support financial monitoring, reporting and decision making.
- 4 A medium-term financial plan has been developed but requires updating for future Covid-19 implications.
- 5 The IJB has developed a cost tracker in conjunction with the NHS GGC Mobilisation plan to anticipate and monitor the financial challenges of Covid-19.

Governance, transparency and best value

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.
- 7 Covid-19 significantly impacted on governance arrangements and the changes made to address this by the IJB were appropriate and effective.
- 8 The IJB can demonstrate a range of arrangements to ensure best value.
- 9 The IJB has effective arrangements for managing performance and monitoring progress towards strategic objectives.

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Introduction

1. This report is a summary of our findings arising from the 2019/20 audit of the East Renfrewshire Integration Joint Board (the IJB).

2. The scope of our audit was set out in our Annual Audit Plan and distributed to members of the Performance and Audit Committee ahead of the planned 18 March 2020 committee meeting. Due to Covid-19, the meeting was cancelled. As a result, our Annual Audit Plan was instead presented to the meeting of the Integration Joint Board on 24 June 2020. This report comprises the findings from our main elements of work in 2019/20 including:

- an audit of the IJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The impact of the global coronavirus pandemic during the final month of 2019/20 will continue to be felt into financial year 2020/21 and beyond. This has, and will continue to have, significant implications for the provision and costs of services including the suspension of planned projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

4. We add value to the IJB, through audit, by:

- making use of remote working to meet the original 23 September 2020 audited annual report and accounts deadline ahead of the new statutory deadline of 30 November 2020
- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice (2016), supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

12. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

15. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Our audit opinions on the annual accounts of the East Renfrewshire Integration Joint Board (the IJB) are unqualified and report that the accounts present a true and fair view of the financial position of the IJB.

Whilst Covid-19 created additional challenges for both IJB and audit staff, key dates in the financial reporting process remain unchanged.

The annual report and accounts are the principal means of accounting for the stewardship of the resources and performance.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts for the year ended 31 March 2020 were approved by the board on 24 June 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view of the financial position of the IJB and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

17. The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly.

The annual accounts were signed off in line with the timescales

18. The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local authority to determine its own revised timetable for the Annual Accounts. The IJB did not use the powers in the 2020 Act to postpone the publication of the unaudited accounts and accounts were submitted to us for audit in line with the original agreed timetable.

19. Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with IJB staff. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges we were able to deliver the audit two months in advance of the new statutory deadline.

Materiality

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual report and accounts.

21. On receipt of the unaudited annual accounts we reviewed our materiality calculations. The calculated materiality has changed slightly from the amounts identified at planning due to the revision of the set-aside figures within the accounts. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

Exhibit 2 Materiality values

Overall materiality	£1.6million
Performance materiality	£1.12million
Reporting threshold	£48 thousand

Source: Audit Scotland, 2019/20 Annual Audit Plan

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

22. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team are directed. Appendix 2 also identifies the work we undertook to address these risks and our conclusions from this work.

23. We have no issues to report from our work on the risks of material misstatement.

We have no significant findings to report on the annual accounts

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report.

25. During the audit, the IJB identified three expenditure adjustments whose net impact reduced the year-end deficit by £43,000. Through audit work performed one additional adjustment reducing the deficit by £77,000 was identified. All necessary adjustments to the annual report and accounts were made.

Good progress was made on prior year recommendations

26. The IJB has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

The IJB has appropriate and effective financial management arrangements in place to support financial monitoring, reporting and decision making.



A medium-term financial plan has been developed but requires updating for future Covid-19 implications.

The IJB has developed a cost tracker in conjunction with the NHS Greater Glasgow Clyde Mobilisation plan to anticipate and monitor the financial challenges of Covid-19.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

The 2019/20 budget included planned savings and contributions from reserves to address the funding gap.

27. The IJB approved its 2019/20 budget in March 2020. The budget was set at £117.1 million (not including set-aside) with a funding gap of £3.1 million. Plans to address this gap included savings of £3.1 million with potential transfers from reserves if required. Savings plans included digital efficiencies and reviewing non-residential care packages.

The IJB operated within budget in 2019/20

28. The IJB does not have any assets. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

29. The IJB returned an overspend of £0.611 million in 2019/20. Funding and income totalled £164.568 million and expenditure was £165.179 million. Before accounting adjustments, the outturn against the 2019/20 budget was an overspend of £0.065 million. Full details can be seen within [Exhibit 4](#). This year-end overspend was in line with budget monitoring reports throughout the year and was funded, as planned, through reserves.

Exhibit 4 Performance against budget

IJB budget summary	Budget £m	Actual £m	(Under)/Over spend £m
NHS GGC	72.462	72.180	(0.282)
ERC	49.598	49.945	0.346

IJB budget summary	Budget £m	Actual £m	(Under)/Over spend £m
Housing	0.276	0.276	-
Set Aside for Large Hospital Services	31.223	31.223	-
Total Net Expenditure	153.559	153.624	0.065

Source: 2019/20 IJB Provisional Outturn Report

Budget process was appropriate

30. Detailed and comprehensive budget monitoring reports were submitted to meetings of the IJB throughout 2019/20. The outturn to date and expected year-end outturn position were made clear within each report and the actual year-end position was in line with expectations.

31. Senior management and members receive regular and accurate financial information on the IJB's financial position. The IJB has appropriate budget monitoring arrangements.

32. The set-aside budget refers to the money for functions that are provided by large hospitals but are delegated to IJBs. In previous years the set-aside amounts were based on high-level notional budget figures. NHS Greater Glasgow and Clyde are now able to report the set-aside figures based on actual expenditure and activity for the year which will provide better insight for budget and planning purposes.

33. The IJB's reserves strategy sets a level of unearmarked general reserves at 2% of the IJB's revenue budget, excluding significant fixed costs such as Family Health Service, Prescribing and Specialist Services. This equates to approximately £1 million. The IJB holds unearmarked general reserves of £0.272 million as at 31 March 2020, significantly below the £1 million target. The IJB does, however, have earmarked reserves of £1.178 million to deal specifically with budget savings phasing and in year pressures.

34. The August 2020 revenue budget monitoring report projects an overspend of £0.238 million against a full year budget of £125.8 million for 2020/21. The intention is to fund this from the budget savings reserve as required. The current reserves held by the IJB are considered appropriate in the short term, however, there is a risk in the longer term given the predicted financial challenges.

35. Overall, the IJB has good budgeting processes in place and the change in set-aside recognition will assist in budgeting and planning going forward. The IJB should consider how to align its general reserve level with its stated reserves policy.



Recommendation 1

Take action to comply with the stated reserves policy and bring the level of general reserves held into line with the Board target of £1m.

The IJB has a medium-term financial plan

36. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

37. The IJB approved its medium-term financial plan (MTFP) for the years 2019/20 to 2023/24 in March 2019. This was prepared with reference to the Scottish Government's medium-term financial strategy (MTFS) and is one of the IJB's key strategic documents along with the strategic plan and strategic commissioning plan.

38. As reported in 2018/19, the IJB's MTFP was reviewed against the Audit Scotland report "Scotland's public finances: A follow-up audit: Progress in meeting the challenges" and it was concluded that, overall the MTFP meets the guidance and is in line with good practice, however, there is scope for improvement, particularly around linking with the targets and outcomes in the IJB's strategic plan.

39. The MTFP details potential future funding gaps of up to £5.4 million per year or £16.2 million over the period to 2023/24 depending on funding levels. The plan highlights that in order to meet future savings levels a reduction of care packages and retraction of services will be likely. The plan has not been updated since its implementation in 2018/19 and therefore does not consider any further challenges as a result of Covid-19. The MTFP therefore requires updating when the impacts of Covid-19 are more fully assessed and understood.

40. Covid-19 will likely have a significant impact on the IJB's future financial plans. The IJB has agreed a mobilisation plan with the Scottish Government (SG), as part of the totality of the mobilisation by NHS Greater Glasgow Clyde. This estimates financial pressures of £9 million between March 2020 and March 2021. As part of this, a cost tracker has been implemented as well as weekly finance returns to SG to continually monitor and update the position as information becomes clearer.

41. The IJB plan to address these challenges through their recovery plan, which attempts to create a route map to recovery. This will be implemented throughout 2020/21 with regular update reports taken to the Board.

42. As mentioned at point 35 above, the MTFP has not yet been updated to reflect the impact of Covid-19. The IJB intends to update the MTFP once impacts become clearer in order to make best use of scenario based financial planning modelling. It is important that the IJB updates their MTFP as soon as possible once more clarity on financial impacts is obtained.



Recommendation 2

Update the MTFP to reflect the impacts of Covid-19 at the earliest appropriate opportunity.

Transformation programmes and efficiency plans

43. The IJB is required to make efficiency savings to maintain financial balance. A total savings target of £2.432 million has been set for 2020/21. Savings proposals of £0.768 million have been identified, with the remaining funding gap of £1.664 million to be met from care packages, revising the individual budget calculator to reflect prioritisation based on national criteria. The August 2020 revenue budget monitoring report projects that all savings targets will be achieved. However, the report goes on to note that the anticipated success in delivering savings targets may be adversely impacted by Covid-19.

44. As noted previously, the IJB have developed a Recovery Plan to address the Covid-19 challenges and the estimated financial impact of £9 million in 2020/21. It is too early to conclude on the success or otherwise of the actions contained in the Recovery plan in mitigating the £9 million pressure.

45. The operation of the set-aside budget is a national issue across all IJBs. There is a disconnect between how the set aside budget should operate in principle compared with how it is operating in practice meaning that this mechanism for shifting the balance of care is not being utilised effectively. An effective set aside mechanism, which takes account of the shift in services from hospitals to community and social care, will provide the IJB more control in utilising the set aside budget to deliver its strategic objectives and help ensure financial sustainability.

46. The IJB has made progress towards the operation of set-aside, with a draft Unscheduled Care Strategic Commissioning Plan being reported to the Board in June 2020. This is a system wide plan that has been developed by all six HSCPs within Greater Glasgow and Clyde in partnership with the NHS Board and Acute Services Division and in line with the IJB's Strategic Plan. The plan builds on the Board wide Unscheduled Care Improvement Programme and is integral to the Board wide Moving Forward Together programme. A financial framework is currently being developed, led by the Glasgow IJB, and this will be assisted by the recognition of set-aside in actual rather than notional budget amounts. The IJB intend to develop a finalised plan once the further work and engagement required is complete.

47. Additionally, in response to an inspection carried out by the Care Inspectorate in 2018/19, and a follow up review in 2019/20, the IJB is undergoing a programme of service redesign for Care at Home. The focus is to review frontline management roles to support home care support workers in the community. The intention is to further recruit and amend work patterns to develop roles and resources that are better aligned to meet service demand.

48. The IJB is facing significant financial challenges going forward. It is essential that the IJB continue to develop and monitor savings plans and seek to identify and consider further potential service transformation projects that will help shift the balance of care and promote long-term sustainability.



Recommendation 3

Deliver planned changes and improvements to the operation of set-aside as a matter of priority.



Recommendation 4

Work with key partners to identify and act on further opportunities to deliver service transformation that will help shift the balance of care. These actions should be integrated into the planned changes to set-aside and into current and future service transformation projects where appropriate.

Financial systems of internal control operated effectively

49. The IJB does not maintain its own financial systems but instead relies on those in place at East Renfrewshire Council and NHS Greater Glasgow and Clyde.

50. As part of our audit approach the assurances we received from the external auditors of NHS Greater Glasgow and Clyde and East Renfrewshire Council (in

accordance with ISA 402) and confirmed that there were no weaknesses in the systems of internal controls at both the health board and the Council.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

51. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partnership bodies. We reviewed the arrangements in place at East Renfrewshire Council and NHS Greater Glasgow Clyde and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest is publicly available on the Board's website.

52. Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

Arrangements for preventing fraud and corruption in the procurement function

53. Our consideration of financial management includes evaluating the arrangements in place for preventing and detecting fraud and corruption. Instances of fraud and corruption can be particularly prevalent in the procurement function.

54. The IJB itself does not procure and as such they rely on the arrangements in place within the partner bodies. The IJB works closely with its partners to allow them to be informed of any issues that arise and follow the relevant policies of its partner bodies, such as the whistleblowing and gifts and hospitality, as appropriate.

Part 3

Governance, transparency and best value



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.



Covid-19 significantly impacted on governance arrangements and the changes made to address this by the IJB were appropriate and effective.

The IJB can demonstrate a range of arrangements to ensure best value.

The IJB has effective arrangements for managing performance and monitoring progress towards strategic objectives.

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.

Governance arrangements are appropriate

55. The governance and transparency arrangements we consider include:

- board and committee structure and conduct;
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption;
- openness of board and committees; and
- reporting of performance and whether this is fair, balanced and understandable

56. The IJB's governance arrangements are appropriate and support effective scrutiny and accountability.

The Covid-19 pandemic had a significant impact on governance arrangements from March 2020

57. The impact of Covid-19 from March 2020 has been set out in the Governance Statement in the IJB's annual accounts. We note that the following steps were taken to amend governance arrangements:

- Delegated powers were agreed to allow the Chief Officer and the HSCP the flexibility to adapt to the significant public health challenges
- The HSCP complied with the Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020
- Decisions taken under delegated authority are logged and support the Local Resilience Management Team and Mobilisation plan

- Working with partners at local and national level to respond to the pandemic and implementing business continuity plans to ensure services deliver and support the most vulnerable and at risk residents
- Virtual hybrid Board and Performance and Audit Committee meetings were held.

58. The revised arrangements in place are reasonable and effective in supporting good governance and accountability.

Openness and transparency

59. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

60. For the majority of 2019/20 all Board and Performance and Audit Committee meetings were open to the public and all documents and minutes fully available on the website. Due to Covid-19, the last meetings of 2019/20 were held online, however, papers and minutes were still published on the website.

61. Due to a website redesign, it is now more difficult for specific reports to be found on the IJB website. The filter for committees does not have an option for the Performance and Audit Committee and no documents or minutes are available. We are aware that this issue has now been raised with appropriate individuals and we will follow up in 2020/21.

62. Overall, with the exception of the technological issue above, the IJB shows a commitment to transparency with all IJB and Performance and Audit meeting minutes and documents previously being available on the website and all meetings being open to the public where possible.

Best Value is concerned with using resources effectively and continually improving services.

Arrangements are in place to secure Best Value

63. Integration Joint Boards have a statutory duty to make arrangements to secure best value. To achieve this, IJBs should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

64. The main way the IJB aims to secure best value is through their budget monitoring reports. The budget monitoring reports are of sufficient detail and quality to provide decision makers with the information needed to make robust decisions that meet best value. Best value criteria is considered as part of budget decisions and proposals and is an implicit part of reporting.

65. The IJB continually looks for alternative models of service delivery. The current Digital Programme is focussed on transforming traditional services to digital services with the aim of creating savings and efficiencies. The programme takes best value considerations into account in terms of savings and efficiencies as well as the potential impact on the proposed users of digital services and whether their needs will be met.

66. Board members frequently challenge proposals made by the IJB on the basis of what is best for users, taking into account best value.

67. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is published which includes detail on financial performance and best value. As noted within our 2018/19 AAR, the 2018/19 annual performance report did not include an assessment of how the IJB was meeting its best value duties in the delivery of services. We can confirm that the IJB has included details of how best value duties are being met within the 2019/20 Annual Performance Report.

Performance levels were in line with agreed targets

68. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities and the inspection of services.

69. Quarterly and mid-year performance management reports are reviewed by the Performance and Audit Committee throughout the year. As noted above, due to Covid-19 the publication of the 2019/20 Annual Performance Report has been delayed and no review will be possible before the publication of the audited annual report and accounts.

70. Performance levels are measured against a suite of key performance indicators. The IJB has 40 key performance indicators it uses to measure performance against strategic priorities. Of these 40, 15 indicators missed the target level in year. It should be noted, however, the majority of these are moving towards the target and have seen improvement from prior year. The areas where improvement is required are clearly documented and highlighted within the performance monitoring reports provided to the Performance and Audit Committee.

71. The IJB has effective arrangements for managing and monitoring performance.

National performance audit reports

72. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published some reports which may be of direct interest to the board as outlined in [Appendix 4](#).

73. From attendance at Board and Performance and Audit Committees we are aware that the IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p data-bbox="256 689 555 719">Financial Sustainability</p> <p data-bbox="165 734 212 763">*b/f</p> <p data-bbox="256 734 627 1039">The IJB has a savings requirement of £2.432 million per the 2020/21 budget settlement. This has resulted in a funding gap of £1.644 million that will need to be met from care packages, revising the individual budget calculator to reflect prioritisation based on national criteria.</p> <p data-bbox="256 1061 627 1301">The August 2020 revenue budget monitoring report projects an overspend of £0.238 million against a full year budget of £125.8 million. The intention is to fund this from the budget savings reserve as required.</p> <p data-bbox="256 1323 627 1563">The IJB will also face additional financial challenges due to the impacts of Covid-19. The estimated financial implications of Covid-19 between March 2020 and March 2021 are in the region of £9 million.</p> <p data-bbox="256 1585 627 1760">Risk – The IJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p data-bbox="659 734 1023 891">Take action to comply with the stated reserves policy and bring the level of general reserves held into line with the Board target of £1m.</p> <p data-bbox="659 913 1023 1025">Update the MTFP to reflect the impacts of Covid-19 at the earliest appropriate opportunity.</p> <p data-bbox="659 1048 1023 1160">Deliver planned changes and improvements to the operation of set-aside as a matter of priority.</p> <p data-bbox="659 1182 1023 1518">Work with key partners to identify and act on further opportunities to deliver service transformation that will help shift the balance of care. These actions should be integrated into the planned changes to set-aside and into current and future service transformation projects where appropriate.</p>	<p data-bbox="1054 734 1428 1227">On establishment and adoption of the reserves policy the IJB recognised that it would take a number of years to achieve an optimal level of reserves. In the current financial climate there is a tension between holding reserves and delivering operational services and this is supported by our earmarked reserves strategy. Without a significant change in funding it is unlikely that the optimum level off general reserve will be achieved.</p> <p data-bbox="1054 1249 1428 1361">The Medium Term Financial Plan will be updated once the ongoing implications of COVID-19 become clearer.</p> <p data-bbox="1054 1384 1428 1563">We will continue to work with our partners to develop and implement the Unscheduled Care Commissioning Plan as a health board wide approach to set aside.</p> <p data-bbox="1054 1630 1428 1704">Chief Financial Officer 31 March 2021</p>

Follow up of prior year recommendations

2	<p data-bbox="256 1865 627 2121">Management Commentary</p> <p data-bbox="256 1910 627 2121">Disclosures within the management commentary could be improved, particularly those regarding the key performance indicators against which the main strategic objectives will be measured.</p>	<p data-bbox="659 1910 1023 2121">The Management Commentary should clearly detail the key performance indicators by which achievement of the IJB's seven strategic priorities will be measured and document</p>	<p data-bbox="1054 1910 1428 2000">The performance section in the management commentary has been revised.</p> <p data-bbox="1054 2022 1428 2089">Chief Financial Officer Closed</p>
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		the IJB's performance against them.	
	Risk – the management commentary does not meet reporting requirements.		
3	Best Value		
	The annual performance report does not include an assessment of how the IJB is meeting its best value duties in the delivery of services. Risk – the IJB does not have appropriate arrangements in place for securing best value.	The IJB should assess how it is meeting its best value duties in the delivery of services and publish a summary and conclusion of the assessment within its Annual Performance Report	A best value section has been added to both the Annual Report and Accounts and the Annual Performance Report. Chief Financial Officer Closed
4	Care at Home		
	A report published by the Care Inspectorate during 2018/19 identified a number of concerns and areas for improvement regarding the IJB's Care at Home service The IJB have developed a comprehensive improvement plan to address the report findings. Risk – The issues identified within the Care Inspectorate report are not adequately addressed and no improvement is seen within the Care at Home Service, impacting on the achievement of strategic priorities within the strategic plan.	The IJB should work with partners to address the findings of the Care at Home Service report ensuring that responsibility and accountability is clearly defined to enable the IJB to monitor and review progress and initiate remedial action if required.	We have reported progress to the IJB throughout the year and significant improvement has been achieved. We had hoped that the follow up inspection would have been completed by Spring 2020 however this has been delayed as a result of COVID-19. We will continue to report progress to the IJB until the next inspection has taken place. Chief Financial Officer In Progress
5	Strategic Plan		
	The current strategic plan 2018-2021 does not include the key performance measures/targets by which the IJB intend to measure progress. Risk – the key performance measures by which the IJB intends to measure progress against the strategic plan is not clear.	The IJB should update the Strategic Plan to include the key performance measures and targets against which performance against key strategic priorities will be assessed.	An appendix has been added to the strategic plan to demonstrate. Chief Financial Officer Closed

* Issue reported in the prior year and re-raised during 2019/20.

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Add in any additional audit risks arising from COVID-19

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Detailed testing of journal entries</p> <p>Review of accounting estimates</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Cut-off testing</p>	<p>All testing was completed as planned.</p> <p>Assurances received from auditors of the partnership bodies regarding the adequacy of controls determined that they were operating effectively. Assurances were also received over transactions carried out at each of the partnership bodies impacting on the Board's income and expenditure.</p> <p>We have not identified any instances of management override of controls.</p>
<p>2 New finance ledger</p> <p>East Renfrewshire Council (ERC) introduced a new finance ledger, Integra, during the year. As ERIJB's financial statements are prepared using ERC's ledger and, as with any major change in financial systems, there is an increased risk of misstatement on the figures and balances</p>	<p>Take ISA 402 assurance over the work performed by ERC's external audit team regarding the completeness and accuracy of the new finance ledger</p>	<p>Assurances received confirmed no significant issues identified over the accuracy and completeness of the new finance ledger.</p>
<p>3 Staff Capacity</p> <p>The Accountancy and Contracts Manager who took the lead in preparing the financial statements has retired and one of the financial accountants has left the post. This will have potential impact on capacity of the HSCP Accountancy Team and the timetable for the audit of the financial statements.</p>	<p>We will liaise with both the Chief Financial Officer and the new Accountancy and Contracts Manager appointed throughout the audit.</p>	<p>The unaudited annual report and accounts and working papers were delivered in line with the agreed timetable and were of good standard and quality. The capacity issues did not impact on the timetable of the audit of the financial statements.</p> <p>We are aware from discussions with the Chief Financial Officer that staff capacity and changes to the current work environment</p>

Audit risk	Assurance procedure	Results and conclusions
		have identified future developing opportunities for the team.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>3 Financial sustainability</p> <p>2019/20</p> <p>The IJB is facing a funding gap of £3.6 million in 2019/20. A savings plan of £3.6 million has been identified to address this gap.</p> <p>As at the 29 February 2020, the IJB is facing a predicted year end overspend of £0.479m. The IJB intends to fund this overspend from reserves.</p> <p>2020/21 Onwards</p> <p>At the time of writing, the 2020/21 savings requirement is estimated between £3.1 million-£3.5 million and a savings plan has yet to be identified.</p> <p>There is a risk that ERIJB will be unable to achieve a sustainable outturn position going forwards, particularly given the uncertainty of future funding contributions.</p>	<p>Review ERIJB's reported outturn financial position as part of the financial statements audit</p> <p>Assess the delivery of in-year savings programs</p> <p>Review the robustness of future savings plans identified</p>	<p>A review of the outturn position and delivery of in-year and future savings programs was conducted.</p> <p>Financial sustainability has been raised as an issue within Appendix 1.</p>
<p>4 Financial management - Set Aside</p> <p>The 2018 Scottish Parliament report, "Looking ahead to the Scottish Government - Health Budget 2019-20: Is the budget delivering the desired outcomes for health and social care in Scotland?", concluded that the set aside budget is, generally, not operating as intended. Significantly, the report highlights that there is a disconnect between how the set aside budget should operate in principle compared with how it is operating in practice meaning that this mechanism for shifting the balance of care is not being utilised effectively.</p> <p>An effective set aside mechanism, which takes account of the shift in services from hospitals to community and social care, will provide the IJB more control in utilising the</p>	<p>Review the IJB's approach to using the set aside budget, specifically through its engagement with the Health Board to improve set-aside arrangements and report on progress made to date.</p>	<p>The IJB has made progress towards the operation of set-aside, with a draft Unscheduled Care Strategic Commissioning Plan being reported to the Board in June 2020. The plan builds on the Board wide Unscheduled Care Improvement Programme and is integral to the Board-wide Moving Forward Together programme.</p> <p>A financial framework is currently being developed, led by the Glasgow IJB, and this will be assisted by the recognition of set-aside in actual rather than notional budget amounts. The IJB intend to develop a finalised plan once the further work and engagement required is complete.</p>

Audit risk	Assurance procedure	Results and conclusions
set aside budget to deliver its strategic objectives and help ensure financial sustainability.		

Appendix 3

Summary of national performance reports 2019/20



**2019/20
Reports**

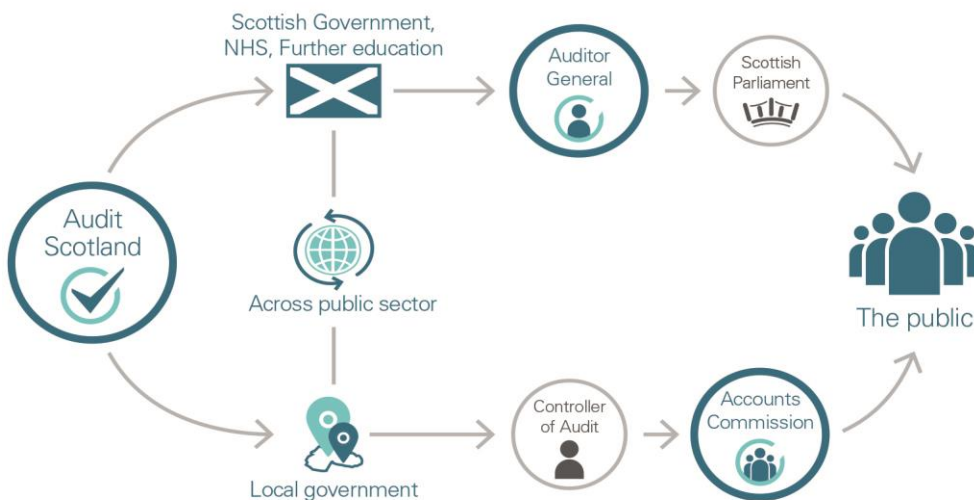
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	Early learning and childcare: follow-up

Appendix 4

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.

East Renfrewshire Integration Joint Board

2019/20 Annual Audit Report - DRAFT

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