



Meeting of East Renfrewshire Health and Social Care Partnership	Performance and Audit Committee
Held on	26 June 2024
Agenda Item	6
Title	Draft Response to Ernst & Young Letter – Understanding management and process arrangements
<p>Summary</p> <p>As part of their audit process Ernst & Young have issued a letter to the Chair of the Performance and Audit Committee: “Understanding your management and process arrangements”. The letter is included as Appendix 1.</p> <p>A draft response has been prepared by the Chair of the Performance and Audit Committee and the Head of Finance and Resources (Chief Financial Officer). The draft response is included as Appendix 2.</p> <p>Members of this committee are asked to review the proposed response and provide any feedback or comment prior to submission of the response, which is due by 28th June 2024.</p>	
Presented by	Lesley Bairden, Head of Finance and Resources (Chief Financial Officer)
<p>Action Required</p> <p>The Performance and Audit Committee is requested to review the proposed response and provide and feedback or comment prior to submission of the response, which is due by 28th June 2024.</p>	

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Lesley Bairden
Chief Financial Officer
East Renfrewshire IJB
Rouken Glen Rd
Glasgow
G46 6UG

17th May 2024

Email: rjones9@uk.ey.com

Dear Lesley,

Understanding your management processes and arrangements

Auditing standards (ISA 240) require us to formally document our understanding of your management processes and arrangements annually. Therefore, we are writing to ask that you please provide a response to the following questions.

1) What are the management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in East Renfrewshire IJB, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its views on business practice and ethical behavior (for example by updating, communicating and monitoring against the IJB's code of conduct);
- encouraging employees to report their concerns about fraud; and
- communicating to the Performance and Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud or error?

2) What are Management's views about whether there are areas within the organisation that are at risk of fraud?

3) Does Management have knowledge of any actual or suspected or alleged instances of fraud or fraudulent financial reporting?

4) Where the answer to question 3 above is 'yes', what was Management's response to the situation(s) identified?

5) Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?

6) Are there any deficiencies in internal control?

7) Are you aware of any instances where controls have been overridden?

8) Is there is any organisational or management pressure to meet financial or operating targets?

9) Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred?

10) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2023/24?

11) Are there any actual or potential litigation or claims that would affect the financial statements?

12) How does Management satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

13) In respect of related parties:

- Have there been any changes in related party relationships and transactions from the prior period?
- What is the nature of the relationship with the identified related parties, how have these been accounted for and disclosed?
- Have there been any transactions with related parties during the period that have been conducted outside of the IJB's normal course of business?
- What is the purpose of material transactions entered into with related parties?

Please would you provide a response by email or letter either on behalf of management or from yourself in your capacity as Chief Financial Officer. We should be grateful if we could have your response by 28th June 2024.

Thank you for your assistance. If you have any queries in respect of this letter please contact Grace Scanlin (Senior Manager) at Grace.Scanlin@uk.ey.com.

Yours sincerely,

Rob Jones
Partner
For and on behalf of Ernst & Young LLP

1) How does the Performance and Audit Committee, as ‘those charged with governance’ at East Renfrewshire IJB, exercise oversight of management’s processes in relation to:	
<ul style="list-style-type: none"> undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments) 	<p>The IJB relies on the processes and controls implemented by our partner organisations in relation to fraud and the HSCP adheres to partner policies. The IJB itself does not have a bank account - all transactions are operated through our partner's systems. As the IJB is a Section 106 body the balance sheet is held within our partner ERC ledger and account. However as assurance management considers the fraud risk with specific reference to the HSCP transactions and the associated IJB accounts. In support of this, the Performance and Audit Committee (PAC) receives update reports on internal audit work carried out in both partner organisations. The risk of material error is considered in the production of the accounts, through controls in place and through review by both internal and external auditors.</p>
<ul style="list-style-type: none"> identifying and responding to risks of fraud in East Renfrewshire IJB, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist 	<p>Risks are identified and responded to by HSCP management. Internal audit work will include fraud risk and make recommendations for improving controls where appropriated and this may result from planned work or by request from HSCP management. Recommendations are then implemented by management and reported to PAC.</p>
<ul style="list-style-type: none"> communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the East Renfrewshire IJB code of conduct) 	<p>The HSCP follows the relevant guidance of our partner organisations. In the event of any specific concerns internal audit would be notified immediately. Staff within the HSCP are required to comply with the relevant partner policies, code of conduct, financial regulations etc. that set out expectations and responsibilities. Relevant training is available through both partner organisations. The intranet within each partner provides relevant guidance.</p>
<ul style="list-style-type: none"> encouraging employees to report their concerns about fraud; and 	<p>The culture within the HSCP promotes openness and transparency, which in turn creates an environment where staff are able to report any concerns to their manager. The management team within the HSCP also have a very strong working relationship with our staff side colleagues. Both organisations also have whistleblowing policies and audit can also be contacted directly.</p>
<ul style="list-style-type: none"> communicating to the Performance and Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud or error? 	<p>Any area of high risk would be considered by Internal Audit and reported to PAC. In the event of any specific concern the Chairs of both PAC and IJB will be notified immediately.</p>

<p>2) What are Managements views about whether there are areas within the organisation that are at risk of fraud?</p>	<p>Internal control processes are in place to mitigate fraud across a range of service delivery areas and associated processes and subject to either planned or requested regular audit review. PAC receive assurances through reports to that committee along with reports taken to the IJB and seminars held throughout the year. Examples include:</p> <ul style="list-style-type: none"> • Annual audit plan and in year reports • External audit of the annual report and accounts with associated governance and assurance statements • Regular strategic risk register reports <p>In addition to the information reported to PAC the Chief Officer and her management team have responsibility to sign off annual governance checklists with each partner and in the event of any issues PAC would be advised.</p> <p>Where any new process or procedure is considered or introduced this will take into account all governance controls, including any risk of fraud.</p>
<p>3) Does Management have any knowledge of any actual or suspected or alleged instances of fraud or fraudulent financial reporting?</p>	<p>No; there are no actual or suspected frauds that we are aware of in 2023/24. There is an ongoing police investigation into an issue raised in a prior year and on conclusion detail will be reported.</p>
<p>4) Where the answer to question 3 above is “yes” what was Managements response to the situations(s) identified?</p>	<p>Not applicable.</p>
<p>5) Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?</p>	<p>Yes; governance and reporting to the IJB and as required through our partner bodies is transparent and robust. PAC receives an audit progress reports to every meeting which shows all open audit recommendations; this will include any areas where internal controls could be strengthened.</p>
<p>6) Are there any deficiencies in internal control?</p>	<p>No.</p>

7) Are you aware of any instances where controls have been overridden?	No.
8) Is there any organisational or management pressure to meet financial or operating targets?	<p>PAC and the IJB are aware of the challenging financial landscape of the IJB and the financial recovery process was invoked during 2023/24. Whilst there is an expectation across the HSCP that all staff will contribute to the delivery of savings, this is unlikely to lead to any individuals falsifying accounting or other records.</p> <p>Our Performance reporting throughout the year provides trend analysis and any operational anomalies should be identified.</p>
9) Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of such manipulation having occurred?	No to both questions. All transactional information is subject to the controls in place through both partner organisations.
10) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2023/24?	<p>Senior Management horizon scan for new and changing laws and regulations and any likely change will be at length within the management team and with respective professional peer groups and partners.</p> <p>The legal implications of IJB papers are considered, alongside any statutory duties. The IJB Standards Officer will also provide advice and guidance on any constitutional matters.</p>
11) Are there any actual or potential litigation or claims that would affect the financial statements?	No.
12) How does management satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	<p>The IJB received additional non-recurring financial support from both partners during 2023/24.</p> <p>Despite the challenging financial landscape the IJB set a balanced budget for 2024/25, albeit predicated on the delivery of significant savings with progress reported to the IJB.</p>

	<p>This also includes plans to over recover the required level of savings to allow us to begin to build back from recovery.</p> <p>The Medium Term Financial Plan sets out scenarios for future years and recognises the ultimate position is dependent on the budget settlement from the Scottish Government and funding decisions taken by our partner organisations.</p> <p>As a public body we are required to provide a range of statutory services.</p>
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13) In respect of related parties:	
<ul style="list-style-type: none"> • Have there been any changes in related party relationships and transactions from the prior period? 	No.
<ul style="list-style-type: none"> • What is the nature and the relationship with the identified related parties, how have these been identified and disclosed? 	<p>The related parties significant to the constitution of the IJB and PAC are NHS Greater Glasgow and Clyde and East Renfrewshire Council and the constitutional documents and the Integration Scheme between those parties set out the relationships, roles and expectations.</p> <p>The transactions form part of the “everyday business” of the HSCP and both PAC and IJB receive reporting on a wide range of areas throughout the year. The annual report and accounts for the IJB also includes detail of related parties within the accounting policies and the related parties note.</p>
<ul style="list-style-type: none"> • Have there been any transactions with related parties during the period that have been conducted outside of the IJB’s normal course of business? 	No.
<ul style="list-style-type: none"> • What is the purpose of material transactions entered into with related parties? 	The delivery of health and social care services to the residents of East Renfrewshire and to a wider population for the specialist services that we host.