

East Renfrewshire Health & Social Care Partnership
Performance & Audit Committee

27 September 2017

East Renfrewshire Health and Social Care Partnership Integration Joint Board 2016/17 Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2016/17 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified.
2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 27 September 2017 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to the Integration Joint Board, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
5. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

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APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of East Renfrewshire Health and Social Care Partnership Integration Joint Board and the Accounts Commission

This report 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 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Renfrewshire Health and Social Care Partnership Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the East Renfrewshire Health and Social Care Partnership Integration Joint Board as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the East Renfrewshire Health and Social Care Partnership Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the East Renfrewshire Health and Social Care Partnership Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

David McConnell MA CPFA
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2017

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APPENDIX B: Letter of Representation (ISA 580)

David McConnell
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear David

East Renfrewshire Health and Social Care Partnership Integration Joint Board Annual Accounts 2016/17

1. This representation letter is provided in connection with your audit of the financial statements of East Renfrewshire Health and Social Care Partnership Integration Joint Board for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of East Renfrewshire Health and Social Care Partnership Integration Joint Board, as at 31 March 2017 and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the East Renfrewshire Health and Social Care Partnership Integration Joint Board, the following representations given to you in connection with your audit of East Renfrewshire Health and Social Care Partnership Integration Joint Board for the year ended 31 March 2017.

General

3. I acknowledge my responsibility and that of East Renfrewshire Health and Social Care Partnership Integration Joint Board for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by East Renfrewshire Health and Social Care Partnership Integration Joint Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the management commentary and remuneration report presents a balanced picture of East Renfrewshire Health and Social Care Partnership Integration Joint Board and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole.

Financial Reporting Framework

6. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations

2014 and the Local Government in Scotland Act 2003, including all relevant presentation and disclosure requirements.

7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of East Renfrewshire Health and Social Care Partnership Integration Joint Board for the year ended 31 March 2017.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

10. As the officer with responsibility for the proper administration of the East Renfrewshire Health and Social Care Partnership Integration Joint Board's financial affairs under section 95 of the Local Government (Scotland) Act 1973, I have assessed East Renfrewshire Health and Social Care Partnership Integration Joint Board's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Events Subsequent to the Date of the Balance Sheet

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
13. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

14. I acknowledge as Accountable Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.

15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2017, which require disclosure.

Fraud

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

17. The assets shown in the Balance Sheet at 31 March 2017 were owned by East Renfrewshire Health and Social Care Partnership Integration Joint Board. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Carrying Value of Assets and Liabilities

18. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Yours sincerely

Lesley Bairden
Chief Financial Officer
East Renfrewshire Health and Social Care Partnership Integration Joint Board

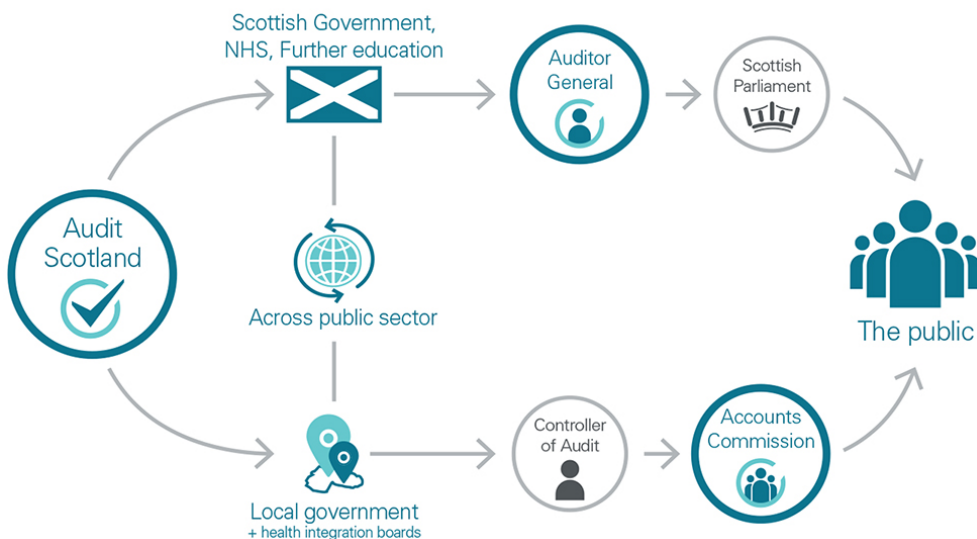
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Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2016/17 annual accounts

- 1 Our audit opinion was unqualified. This covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management

- 2 The Integration Joint Board has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.
- 3 The IJB returned an underspend of £3.219m in 2016/17 including a planned contribution to reserves of £1.95 million.
- 4 The IJB's budget for 2017/18 has been agreed following approval of the health board contribution on the 16th August 2017.

Financial sustainability

- 5 The IJB's 2016/17 underspend of £3.219 million has been transferred to a number of earmarked reserves. It should prioritise long term financial planning to demonstrate financial sustainability.

Governance and transparency

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions. The IJB is open in its decision-making and papers and minutes are publicly available.
- 7 Risk management arrangements are sound as evidenced in the risk management policy and strategic risk register. These were approved by the IJB in August 2016.

Value for money

- 8 Performance is regularly monitored by members.
- 9 The annual performance report was published at the end of June 2017 and was in line with the Scottish Government's guidance.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of East Renfrewshire Health and Social Care Partnership IJB, hereby referred to as the 'IJB'. The report is divided into sections which reflect our public sector audit model.

2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Performance and Audit Committee. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#). Furthermore, an overview of the Role of Boards was completed in 16/17 to inform a potential Audit Scotland report review.

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- an audit of the IJB's governance arrangements
- an audit of the IJB's 2016/17 annual accounts and the issue of an independent auditor's report setting out our opinions.

4. The IJB is responsible for preparing the annual accounts that show a true and fair view and, for establishing effective arrangements for governance, which enable them to successfully deliver their objectives.

5. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

- 6.** These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 8.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 18\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 9.** Communication in this report of matters arising from the audit of the annual accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both the IJB and the Accounts Commission and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 12.** We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

We issued an unqualified audit opinion covering the financial statements, the remuneration report, the management commentary and the annual governance statement

There were no significant issues identified with the annual accounts

Unqualified audit opinions

13. The annual accounts for the year ended 31st March 2017 were approved by the Board on 27th September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- unqualified opinions on the remuneration, management commentary and the annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual accounts for audit

15. We received the unaudited financial statements on 20th June 2017, in line with our agreed audit timetable. The IJB submitted its draft year-end figures to the Health Board for consolidation purposes prior to 30th May in line with the agreed timetable.

16. The working papers provided with the unaudited financial statements were of a good standard and the finance staff provided valuable support to the audit team which aided the final accounts audit process.

Risks of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and conclusions.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

The annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

19. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1 \(page 8\)](#). Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual accounts, we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£1.43 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of overall materiality.	£1 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality.	£0.014 million

Evaluation of misstatements

21. Review of the unaudited accounts determined that expenditure was overstated by £14,134 arising from duplicate payments within the invoice processing system within East Renfrewshire Council. This has been adjusted for in the audited accounts. This is referred to in [Exhibit 2](#).

22. It is our responsibility to request that all misstatements are corrected although the financial decision on this lies with those charged with governance taking into account advice from senior officer and materiality. There are no uncorrected misstatements in the financial statements.

23. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 2 \(page 9\)](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 18\)](#) has been included.

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Duplicate payments made by partner body</p> <p>Under ISA402 we are required to gain controls and substantive assurances from services auditors, in this case, relating to the services provided by the partner bodies (East Renfrewshire Council and NHS Greater Glasgow and Clyde). Through this it was identified that there had been duplicate payments made to social care suppliers by the Creditors team of East Renfrewshire Council. The amount was not material but did result in expenditure being overstated in the unaudited accounts by £14,134.</p>	<p>Officers agreed to adjust the accounts to remove the overpayments. This reduced expenditure in the year with a corresponding increase to the earmarked reserves.</p>

Other Findings

24. Our audit identified a number of minor presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance

Budgets were well-managed in 2016/17

Financial management

25. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.

26. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the Chief Financial Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and are provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

27. Budget monitoring reports are presented by the Chief Financial Officer at each IJB meeting. These are clear and provide adequate explanation for variances in expenditure incurred against budget. Reports also include updates on the reserves position. From our observation at IJB meetings and meetings of the Performance and Audit Committee there is a good level of challenge by members and the IJB is regularly presented with an 'audit actions update' to ensure progress against previously agreed actions is monitored.

Financial performance in 2016/17

28. The IJB does not hold any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. We can

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

conclude that satisfactory arrangements are in place to identify this income and expenditure and to report financial information to the IJB.

29. The IJB returned an underspend of £3.219m in 2016/17. In line with the IJB's Integration Scheme, this has been retained within total reserves which show a balance of £4.36m. ([Exhibit 3, page 11](#))

Exhibit 3

Budget Summary

IJB budget objective summary	Budget £m	Actual £m	Variance £m
Net Expenditure NHS Greater Glasgow and Clyde	83.820	83.096	0.724
Net Expenditure East Renfrewshire Council	62.258	59.763	2.495
Total Net Expenditure	146.078	142.859	3.219
Surplus (from NHS Greater Glasgow and Clyde to be retained by the IJB)	0	0.724	0.724
Surplus (from East Renfrewshire Council to be retained by the IJB)	0	2.495	2.495
Earmarked Reserves	0	3.219	3.219
Total Reserves at 31/3/17			4.360

Source: East Renfrewshire Health and Social Care Partnership IJB 2016/17 Annual Accounts

Internal controls

30. The IJB relies on the accounting systems of both East Renfrewshire Council and NHS Greater Glasgow and Clyde to record all of its financial transactions.

31. As part of our audit approach we sought assurances from the external auditors of NHS Greater Glasgow and Clyde and East Renfrewshire Council (in accordance with ISA 402). A significant weakness took place within the invoice processing systems at East Renfrewshire Council, resulting in duplicate payments being made to suppliers. This included expenditure relating to the IJB's services. As noted at [Exhibit 2](#) this was corrected for in the IJB's financial statements. Weaknesses in areas of internal control were highlighted at NHS Greater Glasgow and Clyde. However, these do not impact on the financial transactions at the Health Board relating to the IJB.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

32. The IJB does not have its own anti-fraud strategy and relies on arrangements in place at each of the partner bodies. From work carried out by auditors at each partner body the arrangements for the prevention and detection of bribery and corruption were deemed adequate.

33. Members of the IJB adhere to a Code of Conduct and complete a register of interests, all of which are available on the IJB's website.

Part 3

Financial sustainability



Main judgements

The IJB returned an underspend at 31 March 2017. The development of long term financial planning is necessary to demonstrate financial sustainability

Sufficient reserves are held to cover the 2017/18 savings targets

Financial planning

34. The IJB allocates the resources it receives from the health board and council in line with its Strategic Plan.

35. As previously reported in paragraph 29 the IJB returned an underspend in 2016/17. The original budget was proposed on 17th August 2016. The budget was not agreed until the 2016/17 year had commenced due to the budget-setting timetable in place at the health board. ([Appendix 1, action point 2](#))

36. The latest financial projections for 2017/18 forecast an underspend of £0.205m against a savings target of £4.3m. It is anticipated that this will be largely met from the budget savings reserve in 2017/18. There are a number of service reviews currently underway that will potentially contribute to the 2017/18 savings targets. It is expected that the initial outcome of these reviews will be presented to the IJB in November 2017. ([Appendix 1, action point 1](#))

37. The 2017/18 budget was first proposed on 29th March 2017. There were delays in agreeing the NHS contribution, with the initial proposal made in June 2017 not being accepted. A revised funding offer was accepted by the IJB in August 2017. There are ongoing timetable inconsistencies between the IJB and the Health Board meaning that the IJB's budget will not be finalised until after the financial year has commenced.

38. Due to uncertainties over the levels of future funding from partner bodies, the IJB only has a high-level long-term financial strategy. The IJB is holding financial planning sessions to prepare strategies for a range of funding levels, the first of which was carried out on 8th September 2017. The IJB is involved with the Council's budget-setting process which should ensure that it is aware of future levels of savings. ([Appendix 1, action point 3](#))

Reserves strategy

39. The IJB approved a reserves policy in March 2016 which states that the optimum level of general reserves is 2% of the IJB's revenue budget excluding some significant fixed costs. At 0.4% the level of general reserves is currently below this target. However, there are adequate earmarked reserves in-place to achieve current short term savings targets.

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.

40. Recent budget updates for 2017/18 and 2018/19 have demonstrated significant savings challenges lie head for the Health Board and the Council. The IJB has sufficient reserves to meet some of these savings. It is projected that a maximum of £1.63m will be allocated from the budget savings reserve in 2017/18 from a total of £2.1m anticipated to be spent from reserves.. The final level of contribution from reserves will depend on the value of savings achieved by the change programme currently being implemented by the IJB.

41. The IJB is required to make efficiency savings to maintain financial balance. In 2016/17 the IJB was expected to make efficiency savings of £2.97 million. This savings target was achieved.

42. The IJB estimates that it will have to make savings of approximately £4.3m in 2017/18. This will partly be met by the budget pressures earmarked reserve and the in-year savings reserve.

43. We conclude that the IJB has sufficient reserves in place to provide a degree of mitigation against the savings-target pressures expected in 2017/18.

Part 4

Governance and transparency



Main judgements

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

Risk management arrangements are sound.

Governance arrangements

44. The membership of the Board and Committees are in-line with guidance ensuring an appropriate diversity of contribution to decision-making.

45. During the audit year we carried out a review of the Board and Committees as part of the wider Audit Scotland Role of Boards review. We found that the IJB demonstrated an effective approach to decision making. The IJB rarely conducts a formal vote and instead discusses proposals and considers any objections

46. We concluded that the IJB has effective governance arrangements and is transparent in its decision making.

Internal audit

47. Internal audit provides the IJB Board and Chief Financial Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

48. The internal audit function is carried out by East Renfrewshire Council. We carried out a review of the adequacy of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place.

49. To avoid duplication, we place reliance on the work of Internal Audit wherever possible. In 2016/17, due to the nature of the work being carried out, we did not place any formal reliance on internal audit for our financial statements work. However, we did review audit reports that were relevant to our work to help with our understanding of the systems and processes in place

50. As part of our assurances we reviewed the Internal Audit Annual Report presented within the IJBs Annual Report and Accounts and ensured that it was in line with our conclusions.

Risk management

51. We reviewed the Risk Management Policy and Strategy and the Strategic Risk Register. Both were found to be adequate and the Risk Register is regularly updated and presented to the Board.

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.

52. Based on our review of the evidence we concluded that the IJB has appropriate risk management arrangements in place which are subject to regular review by the board.

Transparency

53. Transparency means that the public, in particular, local residents have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

54. The IJB demonstrates a number of the characteristics of transparency including adding meeting papers and minutes on the IJB website and holding meetings in public.

55. In addition, full details of the meetings held by the IJB are available through the East Renfrewshire Council website, where access is given to all committee papers and minutes of meetings. The IJB receives regular financial monitoring reports which are presented by the Chief Financial Officer.

56. Overall, we concluded that the IJB conducts its business in an open and transparent manner

Other governance arrangements

57. The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The Strategic Plan and locality planning arrangements should enable partners to engage in and support the delivery of the health and social care provision.

Part 5

Value for money



Main judgements

Performance is regularly monitored by members

The Annual Performance Report was issued in line with guidance

Performance management

58. Local government bodies, including IJBs, have a statutory duty to make arrangements to secure Best Value (BV) through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.

59. Value for money is a key element of our audit approach. The audit findings included throughout this report, comment on arrangements that have been put in place to secure BV in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.

60. The IJB board receives performance reports on a quarterly basis. Performance is assessed against National Outcomes including targets and long-term performance trends.

61. The Strategic Plan identifies five strategic priorities that are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice. These are:

- Improving Health and Wellbeing Through Prevention
- Reducing Health Inequalities
- Increased Wellbeing of Children and Young People
- Supporting People with Long-Term Conditions
- Staying at Home
- Quality of Life
- Good Lives
- Positive Experiences
- Dignity at the End of Life
- Safe from Harm

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

- Supporting Unpaid Carers
- Supporting our Workforce

62. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover such areas as : assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan.

63. The Annual Performance Report was submitted to the IJB Board meeting on 28th June 2017 which is line with the timetable set by the Act. The content of the report adhered to the guidance issued by the Scottish Government.

National performance audit reports

64. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 3 \(page 22\)](#) accompanying this report.

65. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home.

66. We also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. The scale of the change is significant and will not happen quickly. Therefore, we will carry out a second audit in 2018, now integration authorities are more established, to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for impact on the lives of local people.

67. The IJB has appropriate arrangements for considering national performance audit reports with being presented to and discussed by the Board.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



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no.

Issue/risk

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1. Efficiency savings

For 2017/18 the board is required to deliver savings of £4.3 million. It has still to be determined how some of these savings will be achieved. The board should ensure that efficiency savings are agreed as soon as possible and that they do not impact on the IJB's ability to achieve its strategic priorities. The change programme being implemented by the IJB aims to achieve some of these savings. There is a risk that this delay results in savings targets not being met which may impact on delivery of services.

It is recommended that progress against savings be regularly reported to the Board.

Regular progress updates will be provided through seminars, revenue monitoring and budget update reporting.

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2. 2017/18 budget

The 2017/18 budget was finalised by the IJB on 16th August following approval to accept the NHSGGC contribution. There is a risk that approving contributions from partners after the financial year has commenced may impact on financial planning and service delivery.

The IJB should work with the Health Board to determine funding allocations as early as possible. Regular and detailed financial monitoring should be maintained to ensure that service delivery remains unaffected by the delays to the budget setting.

There is regular engagement and discussion with the health board on financial matters, including future year budget planning.

2018/19 is likely to operate on an assumed budget contribution (as with 2017/18) unless the timing of the NHS settlement changes.

13

3. Long-term financial planning

Due to the nature of its funding, it is difficult for the IJB to prepare a detailed long-term financial strategy. Long-term financial planning is currently high-level and this may result in the IJB not being fully aware

The board should consider preparing a detailed long-term financial strategy which will account for future budget pressures as well as the need to adhere to the IJB's strategic plan.

Longer term financial planning is being developed to a more detailed level, linked to our strategic commissioning plan. This will look at the impacts of different funding scenarios in future years.



**Page
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of its funding needs and an over-dependence on reserves. Again, there is a risk of strategic priorities not being achieved without adequate forward planning.

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 accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls (example)</p> <p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>The appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements were reviewed.</p> <p>Reviewed accounting estimates for biases.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p> <p>Focussed testing of the regularity and cut-off assertions during the financial statements audit.</p>	<p>Journal entries relating to IJB expenditure were tested at each of the partner bodies, as were accruals and other accounting estimates.</p> <p>Assurances received from the external auditors of East Renfrewshire Council and NHS Greater Glasgow and Clyde did not highlight any issues in these areas.</p>
<p>2 CareFirst</p> <p>In 2015/16 the Council introduced a Care Finance system which is used to process payments to care providers as part of the social work database. A number of concerns with the system were reported by Audit Scotland in 2015/16. These related to the lack of segregation of duties and incomplete and delayed reconciliations between the Care Finance system and the finance ledger. In addition, there have been significant delays in the time taken to pay creditors by the HSCP. There is a risk that under/overpayments to providers are not identified and addressed, and this could result in misstatements in the financial statements.</p>	<p>Controls were tested to ensure that payments made via Care First were correct. Audit work also ensured that the variance policy at the HSCP was being applied consistently.</p> <p>We tested payments made to ensure that they had been approved and authorised by separate persons.</p> <p>We also tested payments to ensure that they had been made within the performance targets.</p> <p>Furthermore, the quarterly and year-end reconciliations between Care Finance and East Renfrewshire Council's general ledger were reviewed to ensure expenditure was completely and accurately accounted for.</p>	<p>We found that the controls were working as described by officers and testing found that payments were being made accurately and timeously.</p> <p>Segregation of duties was evident in all cases and so the appropriate authorisation process is working effectively.</p> <p>The reconciliations were completed timeously and there were no unexplained reconciling items. This demonstrated that Care Finance could be reconciled to the ledger thus providing assurance over the expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Budget-setting process</p> <p>In 2015/16 and 2016/17 the Integration Joint Board's budget was not finalised until the financial year had commenced. This was due to the NHS Greater Glasgow and Clyde contribution to the Integration Joint Board not being confirmed until August 2016. There is a risk that delaying the budget until after the Integration Joint Board has incurred expenditure for the year may result in increased financial pressures.</p>	<p>Budget monitoring reports were reviewed throughout the year to ascertain any significant variances in the year.</p> <p>Social work year-end budget reports were reviewed to ensure that they were consistent with the IJBs management accounts.</p>	<p>Budget-monitoring was appropriate and all variances were clearly explained in the reports presented by the CFO.</p> <p>The IJB incurred an underspend in the year demonstrating that the budget was efficiently managed despite the delays in setting the budget.</p>





















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

<p>4 Financial Pressures</p> <p>The Integration Joint Board has a savings target of £4.028m for 2017/18. Savings targets are likely to prove more difficult to achieve in years going forward given that a large element of savings have already been achieved due to the previous integration of health and social care at the Council. There is a risk that any inability to meet these savings will impact negatively on the services provided by the Health and Social Care Partnership</p>	<p>Reviewed the financial plans in place to achieve these targets.</p> <p>Considered the reserves position at the end of 16/17 and reserves strategy.</p> <p>Reviewed the budget-setting process for 17/18 to ensure adequate planning is in place to mitigate any impact on services.</p>	<p>Reserves strategy is appropriate and the reserve position is adequate</p> <p>The planned use of reserves was included in the 17/18 budget-setting update which explains how earmarked funds will be utilised to cope with financial pressures.</p>
<p>5 Timing of providing financial information to Health Board</p> <p>The Integration Joint Board is not required to sign its 2016/17 Annual Accounts until September 2017. However, the Board is required to provide financial information by May 2017 in order for the Health Board to prepare its annual accounts. There is a risk that any delays in confirming financial information will adversely impact on the financial reporting process of the partner organisation.</p>	<p>Liaised with finance staff at the IJB to ensure that the necessary information was communicated to the NHS Greater Glasgow and Clyde in accordance with the timetable.</p> <p>Confirmed the draft figures to the NHSGGC external auditors.</p>	<p>The IJB provided the necessary information to the Health Board in line with the timetable.</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

IJB relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#) – October 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

East Renfrewshire Health and Social Care Partnership Integration Joint Board

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