

Renfrewshire Integration Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

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

15 September 2017

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 opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management

- 2 The IJB reported a surplus of £5.494 million. The surplus has allowed the creation of reserves which will assist the IJB in achieving financial balance in future periods.
- 3 The 2017/18 health budget is still to be approved and the 2016/17 savings plan was approved following a significant delay. The IJB should review these issues in relation to the budget setting process to avoid future delays.
- 4 The IJB should review its financial monitoring to ensure the integration of financial reporting for each partner is fully reflected in the financial projections to the IJB.

Financial sustainability

- 5 The IJB is in a position of surplus at the close of 2016/17 but it is important that it prioritises long term financial planning to demonstrate financial sustainability and support future developments.

Governance and transparency

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.
- 7 The Joint Board is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.

Value for money

- 8 The audit findings included throughout this report, comment on arrangements that have been put in place by the IJB to secure Best Value 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.
- 9 The IJB are meeting, or close to meeting, the majority of their performance targets.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Renfrewshire Integration Joint Board, hereby referred to as the 'RIJB'. 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 February 2017 meeting of the 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](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

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

- an interim audit of Renfrewshire Council's main financial systems and governance arrangements which are used by the IJB
- an audit of the IJB's 2016/17 annual accounts the issue of an independent auditor's report setting out our opinions.

4. RIJB 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 auditor 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 \(page 21\)](#). 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 Board 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

Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Board on 15 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 23 June 2017, in line with our agreed audit timetable.

16. RIJB submitted the information required for consolidation purposes to NHS Greater Glasgow and Clyde within the agreed timetable.

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

Risks of material misstatement

18. [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

19. 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.

20. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit based on budget forecasts. Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.

21. On receipt of the annual accounts we updated our materiality calculations for the 2016/17 results, these are summarised in [Exhibit 2](#).

Exhibit 2

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.	£2.589 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 60% of overall materiality.	£1.553 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, and is capped at £100k.	£0.100 million

Evaluation of misstatements

22. There were no misstatements which had an impact on the unaudited annual report and accounts.

Significant findings

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 3 \(page 9\)](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 21\)](#) has been included.

Exhibit 3

Significant findings from the audit of the financial statements

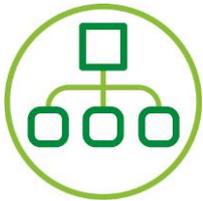
Issue	Resolution
<p>1. Reserves Relating to Other Bodies</p> <p>RIJB achieved a surplus of £5.494 million in 2016/17, which has resulted in the creation of reserves. £2.094 million of the earmarked reserves balance relates to funds that are held on behalf of NHS Greater Glasgow and Clyde, which were transferred back to the health board in July 2017.</p> <p>Although this arrangement is not irregular, RIJB's reserves and surplus for the year are temporarily inflated by this arrangement with NHS Greater Glasgow and Clyde.</p>	<p>RIJB should consider whether this temporary funding movement between itself and the Health Board is appropriate in future years.</p> <p>Action Plan (Appendix 1, point 1)</p>
<p>2. 2016/17 Health Savings Requirement</p> <p>The 2016/17 health budget savings plan was not agreed until 23 June 2017, after the end of the 2016/17 financial year. A revised savings target of £1.105 million for 2016/17 was agreed, which has been added to the requirement for 2017/18.</p> <p>Management have identified a number of cost containment programmes to create a reserve of £1.125 million. This will be used to assist in the delay in implementing the savings requirement carried forward into 2017/18.</p>	<p>The health budget savings plan for 2017/18 was also agreed on 23 June 2017. While this is a significant improvement on 2016/17, RIJB should put in place a process to ensure that the 2018/19 savings plan is agreed before the start of the financial year.</p> <p>Action Plan (Appendix 1, point 2)</p>
<p>3. 2017/18 Health Budget</p> <p>The RIJB integration scheme sets out that budgets must be agreed between RIJB and partner bodies. The 2017/18 health services budget has not yet been agreed with NHS Greater Glasgow and Clyde due to the lack of agreement over the level of funding to be provided (a similar situation exists with all NHS Greater Glasgow and Clyde IJBs).</p> <p>Spending on health services commenced on 1 April 2017. Although RIJB have estimated their expected allocation, over/underspends may not be apparent until the budget is agreed, at which point there may not sufficient time to mitigate for these.</p>	<p>RIJB and NHS Greater Glasgow and Clyde should seek to reach agreement on the 2017/18 health budget as soon as possible. The process should also be considered to ensure that the 2018/19 budget before that financial year begins.</p> <p>Action Plan (Appendix 1, point 2)</p>
<p>4. Hospital Acute Services (Set Aside)</p> <p>A notional figure for the sum 'set aside' for hospital acute services under the control of RIJB has been agreed with NHS Greater Glasgow and Clyde and included in the 2016/17 annual report and accounts of both bodies. This is based on the 2014/15 activities and the levels have been up-rated to reflect the 2016/17 position. The set aside sum recorded in the 2016/17 annual report and accounts does not reflect actual hospital use.</p>	<p>This is a transitional agreement for 2016/17 that was agreed by the Scottish Government. NHS Greater Glasgow and Clyde and RIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p> <p>Action Plan (Appendix 1, point 3),</p>

Other Findings

24. Our audit identified a number of 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

RIJB achieved a surplus of £5.494 million in 2016/17. The surplus has allowed the creation of reserves which will assist the IJB in achieving financial balance in future periods.

The 2017/18 health budget is still to be approved and the 2016/17 savings plan was approved following a significant delay. The IJB should review these issues in relation to the budget setting process to avoid future delays.

RIJB should review its financial monitoring to ensure the integration of financial reporting for each partner is fully reflected in the financial projections to the IJB.

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 Finance 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 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. As highlighted in part 1 of this report, a number of issues relating to the budget setting process were noted in our significant findings section ([Exhibit 3 \(page 9\)](#)):

- the health budget savings plan for 2016/17 was not agreed until 23 June 2017; see [Action Plan \(Appendix 1, point 2\)](#).

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

- the 2017/18 health budget has not yet been agreed; see [Action Plan \(Appendix 1, point 2\)](#).

28. We noted that financial reports presented to the board during 2016/17 recognised the expected creation of reserves when making projections of the year end result. However, the value of the year end surplus (£5.949 million) was not clear until the year end financial report was presented on 23 June 2017, the previous interim report projecting a breakeven position and the creation of an unspecified amount of reserves. While we recognise that budget projections are subject to variance, and are more challenging for RIJB in the first year of operation, this should not prevent management presenting a best estimate of the year end position to the board throughout the year.

29. The finance teams of NHS Great Glasgow and Clyde and Renfrewshire Council operate independently, use different financial systems, and report separately to the IJB Chief Finance Officer. The current reporting arrangements pose challenges for aligning financial monitoring data for the IJB and also for promoting an integrated approach to managing resources across the organisation. There is a risk that the efficiency and effectiveness of integrated budget monitoring information is impaired. Although the IJB has recognised this risk, there is still progress to be made to ensure the alignment of financial reporting. [Action Plan \(Appendix 1, point 4\)](#).

30. Overall we have concluded that there is scope to improve the current budget monitoring and reporting processes, particularly in relation to the alignment of financial reporting by Partners of the IJB.

Financial performance in 2016/17

31. The IJB does not hold any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

32. The integration scheme sets out the arrangements between RIJB and the partner bodies regarding over/underspends. The scheme states that where planned underspends occur, these can be retained by RIJB in line with its reserves policy.

33. RIJB achieved a total underspend of £5.494 million against total budgeted net expenditure of £243,426 million on both health and social care services in 2016/17, as summarised in [Exhibit 4 \(below\)](#). The full value of the underspend has been retained within RIJB's reserves, though it should be noted that £2.094 million of the underspend was transferred temporarily from NHS Greater Glasgow and Clyde, and has been returned in 2017/18.

Exhibit 4 Budget Summary

IJB budget objective summary	Budget £m	Actual £m	Variance £m
Health Services (NHS Greater Glasgow and Clyde)	164,339	160,364	3,975
Social Care Services (Renfrewshire Council)	79,087	77,568	1,519

IJB budget objective summary	Budget £m	Actual £m	Variance £m
Total Net Expenditure	243,426	237,932	5,494
Surplus (from NHSGGC to be retained by RIJB)	0	3,975	3,975
Surplus (from Renfrewshire Council to be retained by RIJB)	0	1,519	1,519
Earmarked Reserves (all relate to NHSGGC budget)	0	2,850	2,850

Source: 2016/17 Renfrewshire IJB Annual Accounts

Internal controls

34. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that RIJB has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

35. Almost all of RIJB's transactions are recorded by either NHS Greater Glasgow and Clyde (for health services) or Renfrewshire Council (for social care services) and are reported to RIJB on a monthly basis. RIJB therefore rely on the internal control environment at their partner bodies to ensure that the reported financial information is accurate. Any transactions recorded directly by RIJB are processed on systems hosted by Renfrewshire Council.

36. Due to the reliance placed on partner bodies' internal controls by RIJB we sought assurances from the external auditor of NHS Greater Glasgow and Clyde and Renfrewshire Council (in accordance with ISA 402). No significant control weaknesses were identified which could affect the Council or Health Board's, and by extension RIJB's, ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

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

37. RIJB does not have its own anti-fraud strategy however it places reliance on the strategies of both NHS Greater Glasgow and Clyde and Renfrewshire Council. It was found that these policies were effective through the work undertaken by the partner bodies.

38. RIJB requires that all members must comply with the Code of Conduct. In addition to this a register of interest is kept for all members of RIJB.

39. Based on our review of the evidence we concluded that RIJB has effective arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues that need to be recorded within this report.

Part 3

Financial sustainability



Main judgements

The IJB is in a position of surplus at the close of 2016/17 but it is important that it prioritises long term financial planning to demonstrate financial sustainability and support future developments.

Financial planning

40. RIJB allocates the resources it receives from the health board and council in line with the Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget and no issues were identified.

41. As previously reported in paragraph 31 the IJB achieved a surplus in 2016/17. This is better than the original budget set on 24 June 2016. However the final budget allocation was not confirmed until 23 June 2017 due to a delay in agreeing the 2016/17 savings plan. See [Action Plan \(Appendix 1, point 2\)](#).

42. The 2017/18 social care budget was approved at the RIJB meeting on 10 March 2017, and represents a base budget increase of 7.2%. The 2017/18 health budget has not yet been agreed with NHS Greater Glasgow and Clyde. See [Action Plan \(Appendix 1, point 2\)](#).

43. There are currently no financial plans projecting beyond 2017/18, although a financial plan for 2018/19 - 2020/21 is currently being prepared and is expected to be presented to the board in September 2017. See [Action Plan \(Appendix 1, point 4\)](#).

Reserves strategy

44. The RIJB reserves policy was approved at the board meeting on 24 June 2016. This allows RIJB to hold reserves and for 2016/17, the underspend of £5.494 million has been allocated to reserves; £2.850 million of earmarked reserves and the balance of £2.644 million held in the general fund as a contingency.

Efficiency savings

45. RIJB expect to have to make savings of £2.464 million in 2017/18, which includes £1.378 million of savings from 2016/17. Savings plans were presented to the RIJB meeting on 23 June 2017 and reported that the RIJB will achieve the required reduction in expenditure.

46. There are no reports which look beyond 2017/18 and therefore there are no medium to long term financial plans in place. We recognise that RIJB is fully funded from both the host bodies and that funding from the Scottish Government to these organisations is based on a one year basis. However, this should not prevent RIJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning for possible changes to their budget allocation. See [Action Plan \(Appendix 1, point 5\)](#).

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.

Part 4

Governance and transparency



Main judgements

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

The Joint Board is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.

Governance arrangements

47. RIJB was formally established in June 2015, however did not take responsibility for integrated delivery of health and care services until 1 April 2016. The board has representation from a wide range of service users and partners including four elected councillors nominated by Renfrewshire Council and four non-executive directors nominated by NHS Greater Glasgow and Clyde.

48. The Board is supported by one sub committee, the Audit committee. The Board is also supported by a Chief Officer and Chief Finance Officer. The former provides strategic and operational advice to the board while the latter is responsible for financial management including budget monitoring reports.

49. As part of the wider review of governance arrangements across the public sector, we completed a follow up on the 'Role of Boards' national report, published in September 2010. This involved a review of documentation, discussions with key officers and attendance at Board and committee meetings. From this work we found that:

- an appropriate level of challenge is being applied to decision making
- high standards of conduct and behaviour were also observed
- RIJB ensures that individual training needs are identified for Board members with a number of training initiatives being completed throughout the year to ensure that all members had the appropriate training to succeed in their role.

50. The governance arrangements as outlined above support good governance and accountability.

Internal audit

51. Internal audit provides the IJB board and Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

52. The internal audit function is carried out by Renfrewshire Council's internal audit team. We carried out a review of the adequacy of Renfrewshire Council's internal audit function and concluded that it operates in accordance with the Public

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.

Sector Internal Audit Standards (PSIAS). However, there were areas where we identified recommendations for improvement.

53. To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance 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.

Risk management

54. The risk management strategy was approved in the shadow year for RIJB on 18 September 2015. Risk management updates are taken to the board every 6 months.

55. Based on our review of the evidence we concluded that RIJB has appropriate risk management arrangements which are subject to regular review by the board.

Transparency

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

57. Full details of the meetings held by RIJB are available through the Renfrewshire Council website, where access is given to all committee papers and minutes of meetings. Additional information is also available on the Renfrewshire Health and Social Care Partnership website.

58. Every committee and board meeting is open to the public and a notice can be found on the council website.

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

Other governance arrangements

60. RIJB 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 enable partners to engage in and support the delivery of the health and social care provision.

Part 5

Value for money



Main judgements

Performance management information is reported at each Joint Board meeting.

RIJB are meeting, or close to meeting, the majority of their performance targets.

Best Value

61. 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.

62. 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 by the Joint Board 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.

Performance management

63. In order to achieve value for money RIJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

64. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.

65. The IJB board receives performance reports on a bi-monthly basis. These give details on selected areas where performance is below expectation, and include actions required for improvement along with a timeline. A full scorecard showing performance against all indicators is presented twice a year.

66. The Strategic Plan identifies three 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
- the right service, at the right time, in the right place
- working in partnership to treat the person as well as the condition.

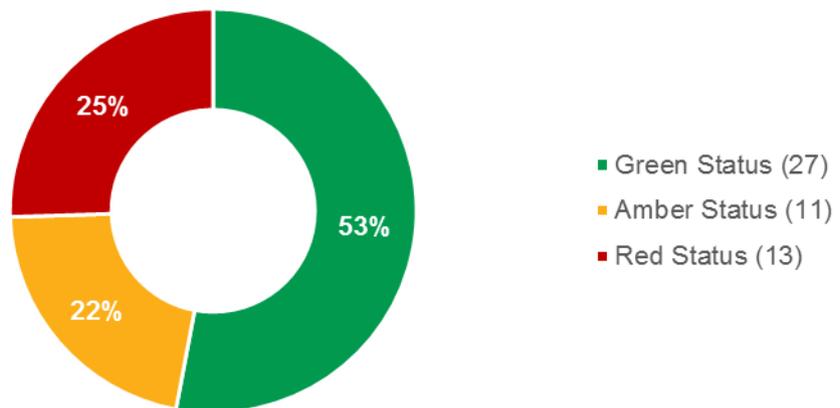
Value for money is concerned with using resources effectively and continually improving services.

67. 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 areas including; 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 strategic commissioning plan. A performance report was submitted to the IJB Board meeting on 23 June 2017 and was in line with requirements of the act.

68. The annual performance report contains information on 88 key performance indicators (KPIs). Thirty-seven of these are for data only, with the remaining 51 assessed as red, amber or green on the basis of performance against a target. The performance against KPIs for 2016/17 is summarised in exhibit 5.

Exhibit 5

Performance Indicators



69. A number of targets with “green” status, indicating targets were achieved are highlighted below:

- the number of adults with an anticipatory care plan has continued to increase from 977 in 2015/16 to 1,847 in 2016/17, well in excess of the target of 440
- all patients started treatment within 18 weeks of referral to psychological services (target 90 per cent)
- the average number of clients on the occupational therapy waiting list was 340, lower than the target of less than 350.

70. The report also indicated a number of areas where targets have not been met:

- the number of carer assessments for adults was 64 against a target of 185 and has continued to decline each year from 2014/15
- the number of emergency admissions from care homes was 538 against a target of (less than) 480
- the percentage of clients on the occupational therapy waiting list allocated a social worker within 4 weeks was 15 per cent against a target of 70 per cent.

National performance audit reports

71. 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 \(page 25\)](#).

72. In December 2015, we 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.

73. 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.

74. 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.

75. There are arrangements in place within the IJB to consider these national reports. The key points and recommendations from the reports are identified and management provide a response or a follow up action to these if required. The recommendations with management responses are then presented to the IJB's Audit Committee for review and consideration.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	 Issue/risk	 Recommendation	 Agreed management action/timing
9	<p>1. Reserves</p> <p>RIJB carried forward £2.094million of reserves temporarily transferred from NHS Greater Glasgow and Clyde in 2016/17.</p> <p>Risk</p> <p>There is a risk that reserves do not reflect the financial position of RIJB.</p>	<p>The board should consider whether it is appropriate to effect these transfers in the future.</p>	<p>The CFO agrees with this recommendation, and for future years only reserves specific to RIJB will be carried forward to ensure that the reserves position accurately reflects the financial position of RIJB.</p> <p>Chief Finance Officer</p> <p>Immediate</p>
9	<p>2. Delayed Agreement of Health Budgets</p> <p>The 2016/17 health budget savings plan was not agreed until 23 June 2017, after the 2016/17 financial year ended.</p> <p>The 2017/18 health budget has not yet been agreed.</p> <p>RIJB management has made assumptions regarding budget and savings plans.</p> <p>Risk</p> <p>There is a risk assumptions made by management may be incorrect, leading to unforeseen over/underspends.</p>	<p>The board should put in place procedures to ensure that future budgets/savings plans are agreed in advance of the financial year end.</p>	<p>Based on the CFO's recommendations RIJB agreed at their meeting of 23 June 2017 that savings plans would be taken to the IJB for approval in advance of the financial year end.</p> <p>Chief Officer and Chief Finance Officer</p> <p>On-going</p>
9	<p>3. Hospital Acute Services (Set Aside)</p> <p>Arrangements for the sum set aside for hospital acute services under the control of RIJB are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure has been agreed and included in the annual report and accounts.</p>	<p>NHS Greater Glasgow and Clyde and RIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources</p>	<p>The CFO is currently working with colleagues at NHSGGC to agree a methodology for the allocation and monitoring of the set aside budget based on actual current activity levels and current price base. Renfrewshire along with Glasgow HSCP are working with the Scottish Government</p>

Page no.	Issue/risk	Recommendation	Agreed management action/timing
	 <p>This is based on 2014/2015 activity levels updated to reflect the 2016/2017 price basis and does not reflect actual hospital use.</p> <p>This is a transitional arrangement for 2016/17 agreed by the Scottish Government.</p> <p>Risk</p> <p>There is a risk that in future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p>	 <p>in 2017/18.</p>	 <p>and NHSGGC as a pilot to take this forward as a matter of urgency in line with the Scottish Governments directions</p> <p>Chief Finance Officer</p> <p>1 April 2018</p>
12	<p>4. Budget Reports</p> <p>Budget reports provided to the board in 2016/17 recognised that reserves were being created, while projecting a breakeven position. The value of the reserves (£5.494 million) was not clarified until the year end report in June 2017.</p> <p>While we recognise that year end projections are subject to variance, the board should be informed of the best estimate of financial position.</p> <p>Risk</p> <p>Board reports may not provide sufficient information to allow members to review financial performance and make informed decisions.</p>	<p>Financial reports should be revised to ensure they are accurately reflecting spending to date and the projected year end position.</p>	<p>The financial reports for 2017/18 now include a reconciliation of the reserves position to date, along with an explanation of how they have been notionally applied (prior to IJB approval). In addition, a reconciliation of the additional balances made available by the Council for 2017/18 is also now included.</p> <p>Chief Finance Officer</p> <p>Immediate</p>
14	<p>5. Medium to Long Term Financial Planning</p> <p>Current financial planning is short term, extending to the end of the current financial year.</p> <p>RIJB are currently in the process of creating a financial plan for 2018/19 – 2020/21.</p> <p>Risk</p> <p>There is a risk that without long term planning there will be an impact on RIJB future budget.</p>	<p>RIJB should ensure their financial plan for 2018/19 – 2020/21 is completed and used to guide future budgeting decisions.</p>	<p>The financial plan for 2018/20 to 2020/21 will be presented to the IJB at its meeting of 15 Sept 2017.</p> <p>Chief Finance Officer</p> <p>15 September 2017</p>

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 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the 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>Confirmations of testing by external auditors of the Council and Health Board for journal entries, and testing over the completeness, accuracy and allocation of income and expenditure were obtained in the form of written assurances.</p> <p>Testing of transactions processed locally by RIJB was also carried out.</p> <p>We noted that RIJB carried forward £2.094million of reserves temporarily transferred from NHS Greater Glasgow and Clyde in 2016/17.</p> <p>The board should consider whether it is appropriate to effect these transfers in the future.</p>
<p>2 Preparation of annual accounts</p> <p>The 2016/17 financial statements will be the first for the operational IJB and will be more complex than those produced in 2015/16. The Chief Finance Officer will be supported by Renfrewshire Council finance staff however it is still to be confirmed what level of support will be provided. There is a risk that the IJB does not have the relevant financial expertise to prepare timely, accurate and Code compliant annual accounts.</p>	<p>On going planning with officers to ensure that the annual accounts are prepared and audited in sufficient time to allow the accounts to be approved in September.</p> <p>Review of compliance with accounting standards as part of financial statements audit.</p>	<p>The unaudited accounts were prepared and delivered in line with the agreed timetable.</p> <p>As a result of our audit, a number of presentational and disclosure issues were identified and amended in the audited accounts.</p>

Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 2016/17 budget and savings proposals</p> <p>The IJB's 2016/17 budget has not been approved. At the meeting on 25 November 2016, the Board rejected the 2016/17 savings proposals of £1.4m. If the savings proposals cannot be agreed NHS Greater Glasgow and Clyde and Renfrewshire Council will have to fund the shortfall. There is a risk that the IJB does not agree savings proposals for 2016/17 resulting in a need to utilise earmarked funds which may impact on service delivery.</p>	<p>Review of the IJB's progress in agreeing its budget and savings plans for 2016/17.</p> <p>Assess the success of the IJB in achieving the required savings.</p>	<p>Savings proposals for 2016/17 were agreed on 23 June 2017, after the 2016/17 financial year end. See Action Plan (Appendix 1, point 2).</p>
<p>4 Financial planning</p> <p>The IJB's 2017/18 budget is still being developed. The savings required for 2017/18 are more challenging than those required in 2016/17. There is high projected growth in demand and increased costs to fund the living wage, self directed support and home care. If recurring savings are not agreed for the 2016/17 financial year the challenge of meeting the savings gap will increase. There is a risk that delays in agreeing the 2017/18 budget will impact negatively on the financial management of the IJB and service delivery.</p>	<p>Review of the effectiveness of the IJB's financial plans.</p> <p>Review of the IJB's progress in agreeing a budget and savings proposals for 2017/18.</p>	<p>The 2017/18 health budget has not yet been agreed. Action Plan (Appendix 1, point 5).</p> <p>The audit social care (council funded) budget was agreed on 10 March 2017.</p> <p>Savings proposals for 2017/18 were agreed on 23 June 2017.</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

Renfrewshire Integration Joint Board

2016/17 Annual Audit Report

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