

Renfrewshire Integration Joint Board

2018/19 Annual Audit Report



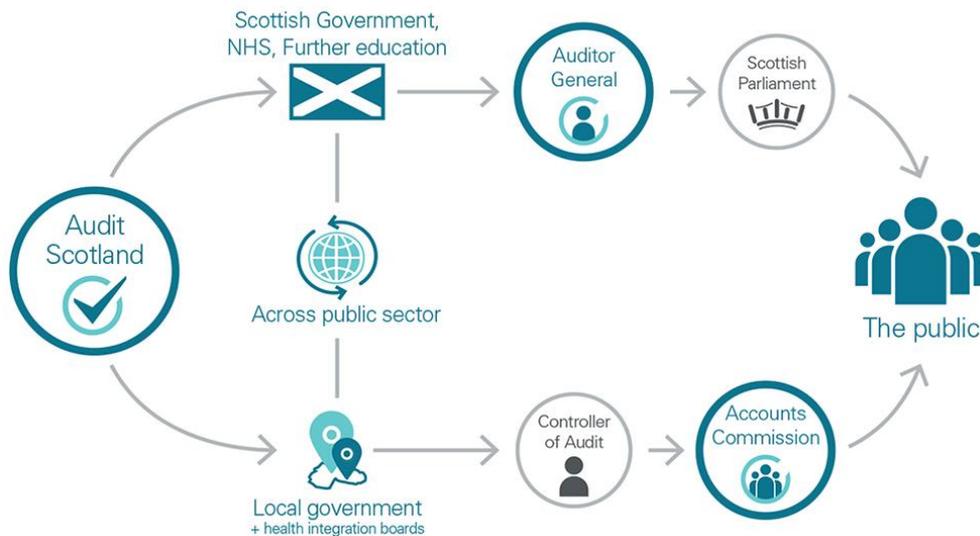
 AUDIT SCOTLAND

Prepared for Renfrewshire Integration Joint Board and the Controller of Audit
20 September 2019

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

2018/19 annual report and accounts

- 1** Renfrewshire Integration Joint Board's (RIJB) financial statements give a true and fair view of the state of affairs of the IJB at 31 March 2019 and of its income and expenditure for the year then ended, and were properly prepared.
- 2** The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with proper accounting practices.
- 3** Management amended the service structure within the Comprehensive Income and Expenditure Statement (CIES) to reduce the number of segments presented, in line with an update required by the Code of Practice on Local Authority Accounting in the United Kingdom and to reflect RIJB's internal financial reporting. This material change required a restatement of the 2017/18 comparative figures, and we concluded that this was consistently applied to both 2017/18 and 2018/19 financial statements.
- 4** Public sector bodies are required to give public notice for inspection and objection of their unaudited annual report and accounts. RIJB submitted their unaudited annual report and accounts in line with the agreed timetable. The public notice was coordinated by Renfrewshire Council on behalf of all component bodies within the group entity. Renfrewshire Council failed to meet the statutory deadline of 17 June 2019 which meant RIJB public notice was not achieved. RIJB should request confirmation from Renfrewshire Council that the statutory requirement has been achieved in future years.

Financial management and sustainability

- 5** The IJB reported a surplus of £2.031 million. Budget monitoring throughout 2018/19 has shown the IJB projecting a breakeven position subject to the planned draw down of reserves to fund any delays in the delivery of approved savings, and, the transfer of specific ring-fenced monies and agreed commitments to ear marked reserves.
- 6** RIJB has appropriate and effective financial planning arrangements in place. Budgetary processes provide timely and reliable information for monitoring financial performance.
- 7** The budget paper for adult social care did not detail the actual budget figure the board were asked to approve, instead only anticipated budget pressures in addition to the 2018/19 budget were included. The IJB should seek confirmation from Renfrewshire Council the full details of the proposed budget for inclusion within the board papers for budget approval.
- 8** The IJB receives additional funding resources which were highlighted in budget monitoring reports during the year and have been appropriately accounted for in the annual accounts, however their nature makes transparent reporting of RIJB's financial position more challenging. RIJB should discuss the existing additional funding arrangements with

partners and consider how any future arrangements will be processed to improve transparency.

- 9** An error relating to the presentation of health reserves resulted in a £0.848 million overstatement of income and expenditure in both the RIJB and Renfrewshire Council accounts. This did not impact on the overall financial position. RIJB should review the process for the creation and use of reserves to ensure that the impact on RIJB and partner ledgers is correctly presented.

Governance, transparency and value for money

- 10** RIJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board and conducts its business in an open and transparent manner.
- 11** In response to the health and social care integration national report the board has agreed to evaluate its current position in relation to the recommendations and to jointly develop an action plan in collaboration with its integration partners. In our view RIJB is putting in place arrangements to demonstrate it is meeting its Best Value duties.
- 12** The IJB should revisit the performance targets to ensure that where performance targets are set locally, they remain sufficiently challenging.

Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of Renfrewshire Integration Joint Board (RIJB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit Committee meeting on 25 January 2019. This report comprises the findings from our main elements of work in 2018/19 including:

- an audit of RIJB's 2018/19 annual accounts including issuing an independent auditor's report setting out my opinion
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

Adding value through the audit

3. We add value to RIJB, through audit, by:

- providing training to members of the audit committee
- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

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

Responsibilities and reporting

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

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

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

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

8. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

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

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £25,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

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

Part 1

Audit of 2018/19 annual accounts



Main judgements

The financial statements give a true and fair view of the state of affairs of the IJB at 31 March 2019 and of its income and expenditure for the year then ended, and were properly prepared.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Management amended the service structure within the Comprehensive Income and Expenditure Statement (CIES) to reduce the number of segments presented, in line with an update required by the Code of Practice on Local Authority Accounting in the United Kingdom and to reflect RIJB's internal financial reporting. This material change required a restatement of the 2017/18 comparative figures, and we concluded that this was consistently applied to both 2017/18 and 2018/19 financial statements.

Public sector bodies are required to give public notice for inspection and objection of their unaudited annual report and accounts. RIJB submitted their unaudited annual report and accounts in line with the agreed timetable. The public notice was coordinated by Renfrewshire Council on behalf of all component bodies within the group entity. Renfrewshire Council failed to meet the statutory deadline of 17 June 2019 which meant RIJB public notice was not achieved. RIJB should request confirmation from Renfrewshire Council that the statutory requirement has been achieved in future years.

The annual accounts are the principal means by which Renfrewshire IJB accounts for the stewardship of the its resources and performance in the use of those resources.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the board on 20 September 2019. We reported within the independent auditor's report that:

- the financial statements give a true and fair view of the state of affairs of the IJB at 31 March 2019 and of its income and expenditure for the year then ended, and were properly prepared.
- the management commentary, audited part of the remuneration report and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

15. 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

- 16.** We received the unaudited annual accounts on 28 June 2019 in line with our agreed audit timetable.
- 17.** RIJB submitted the information required for consolidation purposes to NHS Greater Glasgow and Clyde (NHSGGC) within the agreed timetable. RIJB are also required to submit financial information to Renfrewshire Council to allow the unaudited Council Group Accounts to be completed and submitted for audit. RIJB provided this within the agreed timetable.
- 18.** The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.
- 19.** The Local Authority Accounts (Scotland) Regulations 2014 required RIJB to give public notice for inspection and objection of the 2018/19 unaudited annual report and accounts by 17 June 2019. RIJB submitted their unaudited annual report and accounts in line with the agreed timetable. The public notice was coordinated by Renfrewshire Council on behalf of all component bodies within the group entity. Renfrewshire Council failed to meet the statutory deadline of 17 June 2019 which meant RIJB public notice was not achieved. RIJB should request confirmation from Renfrewshire Council that the statutory requirement has been achieved in future years. **Action Plan (Appendix 1, Recommendation 1).**

Risks of material misstatement

- 20.** [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.
- 21.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

Materiality

- 22.** Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.
- 23.** Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.
- 24.** On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£2.817 million
Performance materiality	£1.690 million
Reporting threshold	£0.141 million

Source: Audit Scotland, 2018/19 Annual Audit Plan

Significant findings from the audit in accordance with ISA 260

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

26. Our significant findings are summarised in [Exhibit 3](#) below.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Restatement of 2017/18 Comprehensive Income and Expenditure Statement</p> <p>Management amended the service structure within the Comprehensive Income and Expenditure Statement (CIES) to reduce the number of segments presented, in line with an update required by the Code of Practice on Local Authority Accounting in the United Kingdom and to reflect RIJB's internal financial reporting.</p> <p>This was judged as a material change to the CIES presentation and therefore it has also been applied to the comparative 2017/18 figures. The restatement was presentational and did not impact the 2017/18 reported position.</p>	<p>We considered the change in presentation as part of programme of audit work. We concluded that the application of the new service structure was in line RIJB's internal reporting and had been consistently applied to 2017/18 and 2018/19 in the CIES.</p>

Qualitative aspects of the audit

27. The annual accounts include a significant accounting estimate in respect of the amount set aside for large hospital services. The set aside amount in the 2018/19 annual accounts is £30.468 million and has been based on historic activity and cost data.

How we evaluate misstatements

28. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on making the correction lies with those charged with governance, considering advice from senior officers

and materiality. There were no material adjustments to the unaudited annual accounts and no unadjusted errors above our reporting threshold.

Follow up of prior year recommendations

29. We have followed up actions previously reported and assessed progress. RIJB has made good progress and three of the four agreed actions raised in 2017/18 have been fully actioned. For the action not yet implemented an updated response and timescale has been agreed with management and set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

The IJB reported a surplus of £2.031 million. Budget monitoring throughout 2018/19 has shown the IJB projecting a breakeven position subject to the planned draw down of reserves to fund any delays in the delivery of approved savings, and, the transfer of specific ring-fenced monies and agreed commitments to ear marked reserves.

RIJB has appropriate and effective financial planning arrangements in place. Budgetary processes provide timely and reliable information for monitoring financial performance.

The budget paper for adult social care did not detail the actual budget figure the board were asked to approve, instead only anticipated budget pressures in addition to the 2018/19 budget were included. The IJB should seek confirmation from Renfrewshire Council the full details of the proposed budget for inclusion within the board papers for budget approval.

The IJB receives additional funding resources which were highlighted in budget monitoring reports during the year and have been appropriately accounted for in the annual accounts, however their nature makes transparent reporting of RIJB's financial position more challenging. RIJB should discuss the existing additional funding arrangements with partners and consider how any future arrangements will be processed to improve transparency.

An error relating to the presentation of health reserves resulted in a £0.848 million overstatement of income and expenditure in both the RIJB and Renfrewshire Council accounts. This did not impact on the overall financial position. RIJB should review the process for the creation and use of reserves to ensure that the impact on RIJB and partner ledgers is correctly presented.

Good financial management is the result of appropriate financial capacity, sound budgetary processes and whether the control environment and internal controls are appropriately designed and operating effectively.

Financial management

30. As auditors, we need to consider whether the IJB has established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Financial Officer (CFO) 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.

Agreement of health budget

31. At the Board meeting on 22 March 2019 it was agreed that:

- the delegated adult social care budget for 2019/20 be accepted
- authority be delegated to the Chief Officer, in consultation with the Chair of RIJB, to accept the 2019/20 delegated health budget subject to the expected uplift of 2.54% reflecting the Board's uplift for 2019/20 including any final adjustments in relation to recurring budget adjustments at month 12 and that the final budget offer should include a budget for set-aside for 2019/20. It was also agreed that this be the subject of further discussion with NHSGGC and that further information be brought back to the IJB.

32. On 3 June 2019 the Assistant Director of Finance for NHSGGC wrote to the Chief Officer confirming that the 2019/20 financial allocation to RIJB was approved by the NHSGGC Board on the 16 April 2019. The Chief Officer in consultation with the Chair has now agreed to accept this budget, which is in line with the CFO's anticipated budget uplift, subject to confirmation of the additional funding due from the Scottish Government to meet the increased employer's superannuation cost from 1 April 2019.

33. The health budget has not been approved prior to the start of the financial year since the RIJB became operational in 2016/17. Last year the IJB advised that they would continue to work with the Director of Finance for NHSGGC to ensure that all possible steps would be taken to enable the IJB to approve the delegated health budget prior to the start of the financial year. **Action Plan (Appendix 1, b/f Recommendation).**

34. The budget paper for adult social care did not detail the actual budget figure the board were asked to approve, instead only anticipated budget pressures in addition to the 2018/19 budget were included. The IJB should seek confirmation from Renfrewshire Council the full details of the proposed budget for inclusion within the board papers for budget approval. **Action Plan (Appendix 1, Recommendation 2).**

Financial performance in 2018/19

35. The financial reports presented to the board during 2018/19 include the current financial position against budget, a detailed breakdown of spend against budget and details of the use of reserves. The themes covered are appropriate and provide RIJB members with an understanding and an overview of the key financial pressures facing RIJB.

36. Budget monitoring throughout 2018/19 has shown the IJB projecting a breakeven position subject to the:

- draw down of reserves to fund any delays in the delivery of approved savings, and, the transfer of specific ring-fenced monies and agreed commitments to ear marked reserves
- planned draw down of additional recurring funding facility from Renfrewshire Council (£2.511 million) which has been added to the recurring base budget for adult social care
- planned use of non-recurring funding held by Renfrewshire Council on behalf of RIJB (£0.824 million).

37. We have concluded that RIJB has satisfactory financial management arrangements in place and members provide a good level of challenge on the financial reports presented at board meetings.

38. As noted above, RIJB achieved a surplus of £2.031 million in 2018/19 by using several additional funding sources from Renfrewshire Council in addition to the grant allocation and direct use of its own reserves.

39. These additional funding resources were highlighted in budget monitoring reports during the year and have been appropriately accounted for in the annual accounts, however their nature makes transparent reporting of RIJB's financial position more challenging. RIJB should discuss the existing additional funding arrangements with partners and consider how any future arrangements will be processed to improve transparency. In the 2018/19 annual accounts, additional funding has been treated as non-specific grant income. **Action Plan (Appendix 1, Recommendation 3).**

Exhibit 4

Financial Performance	Funding £m	Expenditure £m	Variance £m
NHSGGC	164.900	163.203	(1.697)
Renfrewshire Council	89.107	88.773	(334)
Total	254.007	251.976	(2.031)
Earmarked Reserves used in 2018/19			1.305
Earmarked Reserves created in 2018/19			(3.336)
Net impact on usable reserves			(2.031)

Source: 2018/19 Renfrewshire IJB Audited Accounts

Systems of internal control

40. 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.

41. Almost all of RIJB's transactions are recorded by either NHSGGC (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.

42. Due to the reliance placed on partner bodies' internal controls by RIJB, as part of our audit approach we sought assurances from the external auditor of NHSGGC and Renfrewshire Council (in accordance with ISA 402) and confirmed there were no material weaknesses in the systems of internal controls for the health board or the council.

Internal audit

- 43.** Internal audit provides the RIJB board and the Accountable Officer with independent assurance on RIJB's overall risk management, internal control and corporate governance processes.
- 44.** The internal audit function is carried out by the internal audit section within Renfrewshire Council. We carried out a review of the adequacy of the internal audit function and concluded it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
- 45.** We also reviewed RIJB's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit.
- 46.** To avoid duplication of effort we use the work of internal audit wherever possible. In 2018/19 we did not use any internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. We did, however, consider internal audit report findings as part of our wider dimension work.

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

- 47.** RIJB does not have its own anti-fraud strategy however it places reliance on the strategies of both NHSGGC and Renfrewshire Council. We found that these policies were effective through the work undertaken by the partner bodies.
- 48.** The IJB has effective arrangements in place for the prevention and detection of bribery and corruption including a Code of Conduct and Register of Interests for Board Members.

Financial sustainability assesses medium and longer term challenges and risks to consider whether the IJB is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning and sustainability

- 49.** RIJB approved a medium term financial plan on 15 September 2017, covering the period 2018/19 to 2020/21. The report details scenario planning based on anticipated cost pressures from pay inflation, demand for services and increasing prescribing costs, and highlights an estimated funding gap of £16-£21 million for this three year period. To mitigate this, RIJB project that recurring savings of £6 million per annum are required assuming there is no increase in recurring funding.
- 50.** Anticipated budget pressures set during the annual budget process have been higher than those forecast in the medium term financial plan (2018/19: £8 million, 2019/20: £10 million). As detailed within the CFO Financial Reports these have largely been offset by increases in funding rather than requiring the IJB to make additional savings.
- 51.** RIJB's risk sharing agreement with NHSGGC for prescribing costs ceased on 31 March 2018. From 2018/19 onwards RIJB have been responsible for managing spend against budget where previously funding has been provided at cost from NHSGGC. Prescribing is a significant part of RIJB's health expenditure £35.942 million in 2018/19 (£36.271 million in 2017/18). While this has been managed during 2018/19 the volatility risk due to changes in drug costs and levels of demand remains, and may impact on RIJB meeting future savings targets.
- 52.** The current medium term financial plan was created in 2017, covering the period to 2020/21. The Financial Reports provide the Board with regular updates on emerging financial pressures. The CFO intends to present an updated medium

term financial plan covering the period up to 2020-23 to the Board meeting in November 2019.

Efficiency savings

53. The Adult Social Care budget for 2019/20 approved on the 22 March 2019 projects a budget requirement of £67.723 million for 2019/20, an increase from £65.647 million in 2018/19.

54. The Health budget for 2019/20 was approved at the NHSGGC Board on the 16 April 2019, and formally notified to RIJB. The health budget is £196.357 million for 2019/20, an increase from £192.572 million in 2018/19.

55. A summary of RIJB's projected additional spending pressures is included in [Exhibit 5](#). In addition, [Exhibit 6](#) shows the additional funding sources and savings that RIJB plan to use to mitigate for the additional spending pressures.

56. The IJB is required to make efficiency savings to maintain financial balance. In 2018/19 RIJB was expected to make efficiency savings of £1.545 million. During 2018/19 £0.339 million of RIJB's earmarked reserves were drawn-down to fund delays in achieving planned savings.

Exhibit 5

RIJB projected additional spending pressure in 2019/20*

	£m
Health Services (NHS Greater Glasgow and Clyde)	6.076
Social Care Services (Renfrewshire Council)	4.233
Total	10.309

*The above takes into account the increased budget allocations noted in paragraphs 53 and 54

Exhibit 6

Funding for RIJB projected additional spending pressure 2019/20

Funding for RIJB projected additional spending pressure 2019/20	£m
Recurring additional funding from:	
Scottish Government	5.409
Renfrewshire Council	2.615
Non-recurring additional funding from:	
Renfrewshire Council	1.110
Reduction in health spend from savings plan	0.667
Reduction in council spend from savings plan	0.508
Total recurring	9.199
Total non-recurring	1.110
Total	10.309

Reserves strategy

57. The RIJB revised reserves policy was approved at the board meeting on 24 November 2017. It sets a maximum level of general reserves that RIJB should maintain as 2% of net budget (equalling £4.642 million for 2018/19) and sets out the purposes for which reserves should be created.

58. As detailed in [Exhibit 7](#), the 2018/19 underspend of £2.031 million has increased the overall reserves position. General reserves have been maintained at their opening balance of £0.930 million which is within the limit set out in paragraph 57.

59. RIJB's overall earmarked reserves net position has increased by £2.031 million, but with significant movements in year. A total of £1.305 million of earmarked reserves were utilised, which was offset by the creation of £3.336 million new earmarked reserves.

60. As at 31 March 2019, total earmarked reserves are £4.543 million; £0.818 million for adult social care and £3.725 million for health.

Exhibit 7

Detailed use of reserves in 2018/19

		Opening £m	Drawn down in 2018/19 £m	Newly created £m	Closing £m
Adult Social Care Reserves	General			-	-
	Earmarked	0.484	-0.457	0.791	0.818
	Total	0.484	-0.457	0.791	0.818
Health Reserves	General	0.930	-	-	0.930
	Earmarked	2.028	-0.848	2.545	3.725
	Total	2.958	-0.848	2.545	4.655
RIJB	Total	3.442	-1.305	3.336	5.473

61. As noted in paragraph 36, RIJB drew down £0.824 million of non-recurring funding held on their behalf by Renfrewshire Council. This additional non-recurring funding is not included in the drawdown of reserves above.

Processing of Reserves Transactions

62. The transactions accounting for the use and creation of IJB reserves are complex due to the interconnection of the RIJB, Renfrewshire Council and NHSGGC's financial ledgers. An error relating to the presentation of health reserves resulted in a £0.848 million overstatement of income and expenditure in both the RIJB and Renfrewshire Council accounts. This did not impact on the overall financial position. RIJB should review the process for the creation and use of reserves to ensure that the impact on RIJB and partner ledgers is correctly presented. **Action Plan (Appendix 1, Recommendation 4).**

EU Withdrawal

63. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business.

64. As RIJB does not directly incur expenditure or employ its own staff, it is heavily dependent on the preparations of NHSGGC and Renfrewshire Council to mitigate the risks associated with EU withdrawal.

65. We have taken assurance from the conclusions reported by the external auditors of NHSGGC and Renfrewshire Council that both bodies are making reasonable preparations for EU withdrawal. On this basis, we have no specific risks to highlight.

Changing landscape for public financial management

66. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.

67. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.

68. As noted in RIJB's strategic plan, management are in the process of updating RIJB's medium term financial plan for the period 2020-23. RIJB's own medium term finances will be influenced by the projections made in the MFTS. Management estimate that that RIJB will face budget pressures in the region of £18m to £24m over the three year period.

Part 3

Governance, transparency and value for money



Main judgements

RIJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board and conducts its business in an open and transparent manner.



In response to the Health and social care integration national report the board has agreed to evaluate its current position in relation to the recommendations and to jointly develop an action plan in collaboration with its integration partners. In our view RIJB is putting in place arrangements to demonstrate it is meeting its Best Value duties.

The IJB should revisit the performance targets to ensure that where performance targets are set locally, they remain sufficiently challenging.

Good governance and transparency is driven by effective scrutiny and governance arrangements, clear leadership and decision-making and transparent reporting of financial and performance information.

Governance arrangements

69. RIJB 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 NHSGGC.

70. The Board is supported by one sub-committee, the Audit Committee. The Board is also supported by a Chief Officer who provides strategic and operational advice to the Board and the Chief Financial Officer who is responsible for financial management including budget monitoring reports.

71. Board members were well informed on key issues and provided appropriate and robust challenge to management. The board chair was effective in ensuring that discussions are translated into clear decisions to be agreed by RIJB.

72. Periodic development sessions are held separately from board meetings to allow members to give further consideration to particular items or areas of business. In 2018/19, the IJB held a development session which covered a variety of themes, such as service reviews and financial planning.

73. The governance arrangements as outlined above support good standards of governance and accountability.

Openness and transparency

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

75. There is evidence from a number of sources which demonstrate RIJB's commitment to transparency. 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.

76. The IJB receives regular financial monitoring reports which are clear and concise, and every committee and board meeting is open to the public and a notice can be found on the council website.

77. Overall, we concluded that RIJB conducts its business in an open and transparent manner.

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

Value for money

78. To achieve value for money organisations should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

Best value

79. Integration Joint Boards have a statutory duty to make arrangements to secure best value. As part of this year's audit we have looked at how the IJB demonstrates that it is meeting its BV duties.

80. In November 2018, Audit Scotland published a report [Health and social care integration – update on progress](#). This report set out six areas it considers need to be addressed nationally to demonstrate integration is making a meaningful difference to the people of Scotland. Following this, the Ministerial Strategic Group developed a self-evaluation template to allow integration authorities to assess their current positions and identify required actions to progress key areas.

81. In response to these reports the board agreed to evaluate its current position in relation to the recommendations in both reports and to jointly develop an action plan in collaboration with its integration partners. It is intended to provide progress updates to the Board as part of the Change and Improvement Programme updates.

82. In our view the IJB is putting in place arrangements to demonstrate it is meeting its Best Value duties.

Performance management

83. 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. RIJB's Annual Performance Report 2018/19 was published on 31 July 2019 and was in line with requirements of the Act.

84. RIJB 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.

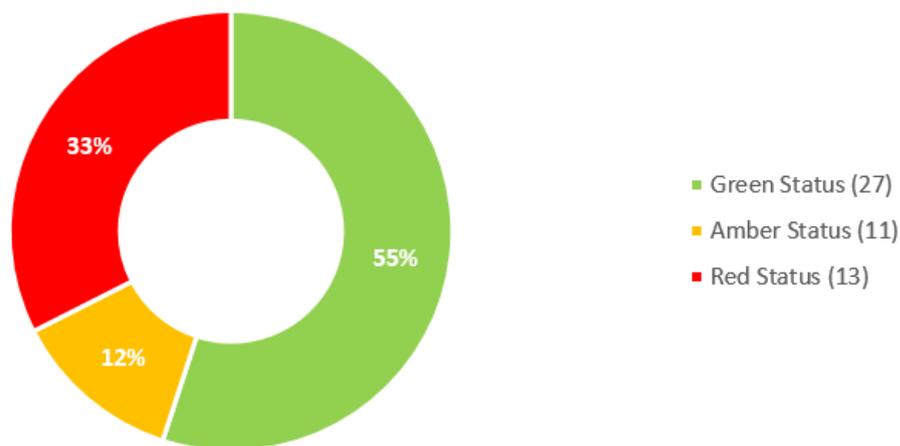
85. RIJB's current Strategic Plan covers the period 2019-2022. It identifies four strategic priorities that are linked to the Scottish Government's nine health and wellbeing outcomes. These are:

- Prevention
- Self-management
- Treatment
- Recovery/Care/Reablement.

86. The annual performance report contains information on 40 key performance indicators (KPIs) assessed as red, amber or green on the basis of performance against a target. The performance against KPIs for 2018/19 is summarised in Exhibit 7. The results reported are broadly in line with those from 2017/18, which showed; Green (58%), Amber (15%), Red (27%). Additional detail on selected targets has been included in paragraphs 88 to 90.

Exhibit 7

Performance Indicators



87. The following targets with "Green" status, indicating targets were achieved are highlighted below:

- 94% of patients started treatment within 18 weeks of referral to psychological services (target 90 per cent)
- the update rate of child health 30-month assessments was 93%, this has improved year on year since 2016/17 and is above the 80% target.

88. Accident and Emergency waiting time performance has improved with 89.5% of patients being seen within 4 hours from 84.9% ("Red" status) in 2017/18, however this was still below the 95% target and is listed as "Amber".

89. The report also indicated areas where targets have not been met:

- the number of delayed discharge bed days was reported as 6,085 in 2018/19 against the target of 3,200. Performance against this target has deteriorated in recent years (2016/17: 3,205, 2017/18: 4,680).

- 82.5% of Child and Adolescents Mental Health (CAMHS) patients were seen within 18 weeks, below the target of 100%.

90. RIJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives. It was noted that for a number of indicators reported performance has been well above the target. Whilst this is a positive outcome we recommend that RIJB should revisit the performance targets to ensure that where performance targets are set locally, they remain sufficiently challenging. **Action Plan (Appendix 1, Recommendation 5)**

National performance audit reports

91. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of direct interest to the board as outlined in [Appendix 3](#).

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Public notice</p> <p>The Local Authority Accounts (Scotland) Regulations 2014 required RIJB to give public notice for inspection and objection of the 2018/19 unaudited annual report and accounts by 17 June 2019. The public notice was published on the RIJB website on 26 June 2019 and in a newspaper on 28 June 2019, meaning this deadline was not met. The public notice was coordinated by Renfrewshire Council on behalf of all component bodies within the group entity.</p>	<p>RIJB should liaise with Renfrewshire Council that this statutory deadline will be achieved in future years.</p> <p>Paragraph 19</p>	<p>The Chief Finance Officer will seek confirmation from Renfrewshire Council that the required public notice will be placed in time to meet the statutory deadline. action</p> <p>Chief Finance Officer</p> <p>June 2020</p>
2	<p>Budget Approval</p> <p>Full year budget figures for adult social care were not included in the 2019/20 budget paper, instead only anticipated budget pressures in addition to the 2018/19 budget were included.</p>	<p>The IJB should seek confirmation from Renfrewshire Council the full details of the proposed budget for inclusion within the board papers for budget approval.</p> <p>Paragraph 34</p>	<p>The IJB should seek formal confirmation from Renfrewshire Council of the full details of the proposed budget for inclusion within the board papers for budget approval..</p> <p>Chief Officer</p> <p>March 1 2020</p>
3	<p>Use of Additional Sources of Funding</p> <p>RIJB used additional recurring and non-recurring funding from Renfrewshire Council in 2018/19.</p> <p>Risk - These additional funding resources were highlighted in budget monitoring reports during the year and have been appropriately accounted for in the annual accounts, however their nature makes transparent</p>	<p>RIJB should review the existing additional funding arrangements with partners and consider how any future arrangements will be processed.</p> <p>Paragraph 39</p>	<p>The Chief Finance Officer will work with the Directors of Finance for both of the IJB's partners to review the current processes.</p> <p>Chief Finance Officer</p> <p>On-going</p>

reporting of RIJB's financial position more challenging.

4	<p>Processing of Reserves Transactions</p> <p>The transactions accounting for the use and creation of IJB reserves are complex due to the interconnection of the RIJB, Renfrewshire Council and NHSGCC's financial ledgers. An error relating to the presentation of health reserves resulted in a £0.848 million overstatement of income and expenditure in both the RIJB and Renfrewshire Council accounts. This did not however have any impact on the overall financial position.</p> <p>Risk – Processing of reserves may have unexpected consequences in partner ledgers.</p>	<p>RIJB should review the process for creation and use of non-recurring monies to ensure that the impact on RIJB and partner ledgers is correctly presented.</p> <p>Paragraph 67</p>	<p>The Chief Finance Officer has already put controls in place within the monthly budget monitoring process to ensure the correct presentation of all non-recurring monies.</p> <p>Chief Finance Officer Completed</p>
5	<p>Performance Management</p> <p>A number of performance indicators report performance has been well above the target for current and prior years.</p> <p>Risk</p> <p>There is a risk that the targets that have been do not provide sufficient challenge to improve performance.</p>	<p>RIJB should revisit the performance targets to ensure that where performance targets are set locally, they remain appropriate.</p>	<p>Local targets will continue to be monitored on an annual basis and suggested changes agreed by the RIJB taking into account the challenging financial situation the HSCP is facing. Local targets are agreed with the Senior Management Team to ensure they are realistic and achievable.</p> <p>Clare Walker Planning & Performance Manager</p> <p>31.07.20. (when year-end 2019/20 performance data is available). Narrative on agreed action</p> <p>Responsible officer Agreed date</p>
<p>Follow up of prior year recommendations</p>			
b/f	<p>Delayed Agreement of Health Budgets</p> <p>Health budgets for 2016/17, 2017/18 and 2018/19 were not approved by the board prior to</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>2018/19 update:</p>	<p>The IJB will work with our partners to ensure that future budgets/savings plans are agreed in advance of the financial year end.</p>

the start of the related financial year.

Risk

There is a risk that assumptions made by management may be incorrect, leading to unforeseen over/underspends.

As noted in paragraph 33, the 2019/20 budget was not approved until 16 April 2019.

Chief Officer / Chief Finance Officer

March 31 2020

Appendix 2

Significant audit risks identified during planning

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

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 to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Evaluation of significant transactions that are outside the normal course of business. 	<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>Conclusion: there is no evidence of management override of controls at the IJB.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>2 Financial sustainability</p> <p>RIJB is facing a number of financial pressures including pay inflation, increasing prescribing costs and increasing service demand. Delivery of services in 2018/19 is projected to rely on the use of £1.559 million of general reserves held by Renfrewshire Council on behalf of RIJB.</p> <p>These pressures are expected to continue into 2019/20 where RIJB has identified a funding gap of £6.000 million.</p>	<ul style="list-style-type: none"> Attendance at board meetings Monitor of performance against savings plans Monitoring service delivery KPIs. Consideration of savings plan for 2019/20 and 2020/21. 	<p>We noted that RIJB used general reserves and additional funding from Renfrewshire Council. RIJB has identified that future funding pressures will be met by a mixture of savings and additional funding from partner bodies.</p> <p>Conclusion: The IJB will continue to face significant financial challenges through funding pressures and an increased demand for services. We will continue to monitor this.</p>
<p>3 Agreement of health budgets</p> <p>The 2018/19 health budget was agreed on 27 April 2018, one month after the start of the financial year.</p> <p>The health budget for 2019/20 is due to be approved at the</p>	<ul style="list-style-type: none"> Attendance at board meetings and discussion with management. 	<p>As noted in part 1 of this report, approval of the health budget was delayed in 2019/20. This has been reflected in the action plan in Appendix 1.</p> <p>Conclusion: The board should work with partners to ensure that future budgets/savings</p>

Audit risk	Assurance procedure	Results and conclusions
<p>board meeting on 22 March 2019.</p> <p>Due to the delays in approving the health budget in the previous 2 years, there is a risk that the 2019/20 health budget will not be approved as planned. This could impact the ability of the RIJB to strategically manage expenditure.</p>		<p>plans are agreed in advance of the financial year end.</p>
<p>4 Compliance with GDPR Requirements</p> <p>GDPR came into force on 25 May 2018. RIJB approved arrangements to be put in place to comply with the legislation on 29 June 2018.</p> <p>However, these are yet to be fully actioned and therefore there is a risk that RIJB is not complying with the GDPR requirements.</p>	<ul style="list-style-type: none"> • Monitoring of GDPR arrangements. • Attendance at board meetings and discussion with management. 	<p>RIJB considered its requirements to comply with GDPR in a paper presented to the Audit Committee on 29 June 2018, where the proposal to implement changes required by GDPR was approved. However, GDPR came into force on 25 May 2018.</p> <p>Conclusion: RIJB approved the required Records Management plan in January 2019.</p>

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Reports relevant to Integration Joint Boards

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

Renfrewshire Integration Joint Board

2018/19 Annual Audit Report

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