

# Renfrewshire Integration Joint Board

2019/20 Annual Audit Report



Prepared for Renfrewshire Integration Joint Board and the Controller of Audit

20 November 2020

# Contents

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Key messages	3
Introduction	4
Part 1 Audit of 2019/20 annual accounts	7
Part 2 Financial management and sustainability	10
Part 3 Governance, transparency and best value	16
Appendix 1 Action plan 2019/20	20
Appendix 2 Significant audit risks identified during planning	22
Appendix 3 Summary of national performance reports 2019/20	24
Appendix 4 Who we are	25

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# Key messages

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## 2019/20 annual report and accounts

- 1 Our audit opinions on the annual accounts of the Renfrewshire Integration Joint Board (RIJB) are unqualified and report that the accounts present a true and fair view of the financial position of RIJB.
- 2 Covid-19 created additional challenges for both RIJB and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.
- 3 The Management Commentary provides a clear account of RIJB's strategy, objectives and its performance during the year.

## Financial management and sustainability

- 4 RIJB reported a surplus of £4.044 million. Budget monitoring throughout 2019/20 has shown RIJB projecting an underspend 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.
- 5 RIJB has appropriate and effective financial management arrangements in place to support financial monitoring, reporting and decision making.
- 6 RIJB has a medium-term financial plan in place which identifies a challenging financial outlook and recognises the need for transformational change. The Covid-19 pandemic has added further financial pressure and uncertainty. The board should remain focussed on the financial challenges facing RIJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.

## Governance, transparency and best value

- 7 RIJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board and the organisation conducts its business in an open and transparent manner.
- 8 Covid-19 significantly impacted on the effective operation of the established governance arrangements within the organisation. The changes made by RIJB to address this were appropriate and effective.
- 9 RIJB can demonstrate a range of arrangements to ensure best value and has effective procedures for managing performance and monitoring progress towards strategic objectives.

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# Introduction

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1. This report is a summary of our findings arising from the 2019/20 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 and Risk Committee meeting on 31 January 2020. This report comprises the findings from our main elements of work in 2019/20 including:
  - an audit of RIJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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

4. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland is responding](#), setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

## Adding value through the audit

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

- regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Audit and Risk Committee on key challenges in the Covid environment.
- sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised accounts and audit timetable
- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

6. 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

7. 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 also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. 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.

9. 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
- Best Value arrangements.

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

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

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

### **Auditor Independence**

**13.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

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

**15.** 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](http://www.audit-scotland.gov.uk) in due course.

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

# Part 1

## Audit of 2019/20 annual accounts



### Main judgements

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

**Covid-19 created additional challenges for both RIJB and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.**

**The Management Commentary provides a clear account of RIJB's strategy, objectives and its performance during the year**

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

### **Our audit opinions on the annual accounts are unqualified and report that the accounts present a true and fair view of the financial position of RIJB**

**17.** The annual accounts for the year ended 31 March 2020 were approved by the Board on 20 November 2020. We reported within the independent auditor's report that:

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

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

### **The annual accounts were signed off in line with the revised statutory deadlines**

**19.** The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow Integration Joint Boards to determine their own revised timetable for the Annual Accounts. RIJB did not need to use the powers in the 2020 Act to postpone the publication of the unaudited accounts, and these were submitted to us for audit on 26 June 2020 in line with the original timetable.

**20.** Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with IJB staff. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working

and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges we were able to deliver the audit in line with the new statutory deadline.

## Overall materiality is £3 million

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

**22.** On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

## Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£3 million
Performance materiality	£1.8 million
Reporting threshold	£150,000

Source: Audit Scotland, 2019/20 Annual Audit Plan

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

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

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

## We have no significant findings to report on the annual accounts

**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. We have no significant findings to report.

**26.** Additionally, there were no misstatements above our reporting thresholds identified from our audit.

## The Management Commentary provides a clear account of RIJB's strategy, objectives and the its performance during the year

**27.** Management Commentaries are intended to assist users of the financial statements to understand them and the IJB more generally. They provide context

for the financial statements, an analysis of past performance, and an insight into the priorities of the IJB and the strategies adopted to achieve its objectives. ([Good Practice Note: Management Commentaries](#))

**28.** RIJB's management commentary provides a clear picture of its business model, strategy, performance and future plans with a good use of infographics to capture key messages and performance. Feedback from Board members has been positive on the quality of the information provided.

### **Good progress was made on prior year recommendations**

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

# Part 2

## Financial management and sustainability



### Main judgements



RIJB reported a surplus of £4.044 million. Budget monitoring throughout 2019/20 has shown RIJB projecting an underspend 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 a medium-term financial plan in place which identifies a challenging financial outlook and recognises the need for transformational change. The Covid-19 pandemic has added further financial pressure and uncertainty. The board should remain focussed on the financial challenges facing RIJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.

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

### Financial management

**30.** As auditors, we need to consider whether RIJB 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 RIJB;
- 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; and
- IJB members provide a good level of challenge and question budget holders on significant variances.

### RIJB operated within budget in 2019/20

**31.** RIJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and the Chief Finance Officer. All funding and expenditure for RIJB is incurred by partner bodies and processed in their accounting records.

**32.** The financial reports presented to the Board during 2019/20 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.

**33.** Budget monitoring throughout 2019/20 has shown RIJB projecting an underspend, prior to the transfer of balances to General and Earmarked reserves at the financial year end which includes the transfer of specific ringfenced monies (including Scottish Government funding for Primary Care Improvement, Mental Health Action 15 and ADP monies) in line with Scottish Government Guidance.

**34.** As detailed in the table below RIJB final position for 2019/20 is an underspend of £4.044 million, prior to the transfer of balances to Earmarked and General Reserves. (See [Exhibit 3](#)).

**35.** RIJB approved the drawdown of reserves throughout 2019/20, in order to deliver on specific commitments including e.g. funding to mitigate any delays in delivery of approved savings (£150,000); Primary Care Improvement Plan (£816,000) and Action 15 carry forward monies (£316,000); Health Visitors (£149,000), and, GP premises improvement monies (£438,000). The total amount drawn down in 2019/20 was £2.268m from earmarked reserves.

**36.** Throughout the financial year, adjustments were made to the original budget as a result of additional funding allocations, service developments and budget transfers reflecting service reconfigurations.

### Exhibit 3 Financial Performance

Financial Performance	Funding £m	Actual £m	Variance £m
NHSGGC	199.715		
Renfrewshire Council	93.797		
<b>Total</b>	<b>293.512</b>	<b>289.468</b>	<b>(4.044)</b>
Reserves used in 2019/20			2.268
Reserves created in 2019/20			(6.312)
<b>Net increase in reserves</b>			<b>(4.044)</b>

Source: RIJB Annual Accounts 2019/20

**37.** The financial impact of Covid-19 was limited in 2019/20 as the financial year ended on 31<sup>st</sup> March 2020, only a few weeks after the pandemic began to impact Scotland.

### 2020/21 budget approval was delayed

**38.** At the Board meeting on 20 March 2020 it was agreed that:

- the delegated adult social care budget for 2020/21 be accepted
- authority be delegated to the Chief Officer, in consultation with the Chair of RIJB, to accept the 2020/21 delegated health budget from NHS Greater Glasgow and Clyde Health Board (NHSGGC) subject to the expected uplift of 3.0% reflecting the Board's uplift for 2020/21 including any final adjustments in relation to recurring budget adjustments at month 12.

**39.** However, due to the impact of Covid-19 NHSGGC's Operational Plan has been suspended and both it and the supporting Financial Plan are being reviewed in light of the Covid-19 pandemic. RIJB is therefore still to receive its formal 2020/21 budget offer, however, it is anticipated it will be in line with the interim budget offer made in March.

## **RIJB has appropriate and effective financial management arrangements in place**

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

**41.** Senior management and members receive regular and accurate financial information on RIJB's financial position. RIJB has appropriate budget monitoring arrangements.

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

## **Financial sustainability**

### **RIJB's medium-term financial plan identifies a challenging financial outlook**

**43.** 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.

**44.** In November 2019, RIJB approved its Medium-Term Financial Plan (MTFP) 2020/21 to 2024/25, and, agreed to create a transformation reserve to support a 'step change' in the Partnership's change activity. The Financial Plan set out a two-tiered approach to delivering savings, where Tier 1 short-term savings would be delivered in 2020/21 and Tier 2 savings would be achieved over the period 2021/22 to 2023/24 through transformational change.

**45.** Tier 1 savings proposals were approved by RIJB on 31 January 2020. The RIJB views the Transformation Programme as the key process to address its estimated net budget gap (for the period 2021/22 to 2023/24) of between £9 million to £19 million (based on funding scenarios between 1.5 to 3 percent of annual uplifts from partner organisations) and ensure sustainable health and social care services going forward. As a result of Covid-19 RIJB's medium term projections will need to be updated to reflect future financial pressures.

**46.** At the Board meeting in October 2020, the CFO outlined the Revenue Budget position at 31 August 2020 and the projected year end position for the year ending 31 March 2021. In addition to highlighting the key pressures in year, it provided a summary of the impact on RIJB and its partner organisations in responding to Covid-19.

**47.** Excluding the financial impact of Covid-19, RIJB were projecting an underspend of £1.934 million for 2020/21. The current projected additional spend as a result of Covid-19 is £13.643 million, partly offset by confirmed funding to date of £3.594 million, resulting in a projected net impact of £10.049 million for RIJB. The year-end projected impact is therefore to move RIJB from a projected underspend position to incurring a projected overspend of £8.115 million. The financial pressures caused by Covid-19 are pushing the IJB towards the "worst

case scenario” articulated in the Medium Financial Plan but the scale of the overspend and challenge will depend on the level of support from the Scottish Government, which is yet to be finalised.

**48.** The opening IJB reserves position for 2020/21 was £9.517 million. This figure is made up of earmarked reserves of £8.116 million to support the delivery of medium-term projects covering more than one financial year, and ring-fenced monies to allow RIJB to deliver on Scottish Government funded programmes. General reserves of £1.401 million are held to allow RIJB flexibility to deal with unforeseen events or emergencies and equates to 0.63% of RIJB’s net budget (not including set aside).

**49.** Covid-19 will likely have a significant impact on RIJB’s future financial plans in both the short and medium term. In Broad terms the financial impact of Covid-19 is likely to take two distinct forms:

- The direct costs associated with treating and preventing the spread of the disease; and
- The costs associated with changing models of both health and social care as people and organisations move further away from institution-based care and more towards care at home. For example, the IJB has already started to see noticeable growth in social care at home packages for people with complex needs resulting in additional capacity and financial pressures for the organisation.

**50.** RIJB has agreed a mobilisation plan with the Scottish Government (SG), as part of the totality of the mobilisation by NHS Greater Glasgow Clyde. Within this arrangement action is being taken to continually monitor and update the financial impact of Covid-19 through development and use of a cost tracker, as well as regular finance returns to SG.

**51.** RIJB plan to address these challenges through their Recovery and Renewal Plan, which looks to build on the successes of their Covid-19 response to date and to implement both recovery and renewal plans in tandem. This will be implemented throughout 2020/21 and beyond with regular operational update reports taken to the Board.

**52.** Corporate ownership and engagement at all levels within IJB commissioned services will be the key factor in determining the success or otherwise of the Transformation Programme and the Recovery and Renewal Plan. It is essential that Heads of Service take the lead in working with corporate Officers, specifically the Chief Officer and Chief Finance Officer to identify and implement practical actions to take forward this programme and plan.



### Recommendation 1

**The board should remain focussed on the financial challenges facing RIJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.**

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### Transformation programmes and efficiency plans will need to be updated

**53.** The operation of the set-aside budget is a national issue across all IJBs. There is a disconnect between how the set aside budget should operate in principle compared with how it is operating in practice meaning that this mechanism for shifting the balance of care is not being utilised effectively. An effective set aside mechanism, which takes account of the shift in services from hospitals to

community and social care, will provide RIJB more control in utilising the set aside budget to deliver its strategic objectives and help ensure financial sustainability.

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

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



## Recommendation 2

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

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## Financial governance

### Financial systems of internal control operated effectively

**56.** 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.

**57.** 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.

**58.** 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

**59.** Internal audit provides the RIJB and the Accountable Officer with independent assurance on RIJB's overall risk management, internal control and corporate governance processes.

**60.** 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.

**61.** We 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**

**62.** 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.

**63.** RIJB 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.

### **Arrangements for preventing fraud and corruption in the procurement function**

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

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

# Part 3

## Governance, transparency and best value



### Main judgements

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



**Covid-19 significantly impacted on the effective operation of the established governance arrangements within the organisation. The changes made by RIJB to address this were appropriate and effective.**

**RIJB can demonstrate a range of arrangements to ensure best value and has effective procedures for managing performance and monitoring progress towards strategic objectives.**

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

### **RIJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board**

**66.** The governance and transparency arrangements we consider include:

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

**67.** 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.

**68.** At the Audit, Risk and Scrutiny Committee in June 2020, the Chief Finance Officer presented an updated set of Financial Governance Arrangements, for the Committee's consideration and approval. The Financial Regulations and Reserves Policy was reviewed, and changes made to reflect the updated management and reporting arrangements which have evolved since RIJB was first established. To inform the revised Financial Governance arrangements a review of other IJBs was undertaken, in order to benchmark and to ensure best practice.

**69.** The Board is supported by one sub-committee, the Audit, Risk and Scrutiny Committee. This replaced the Audit Committee as approved by the Board at its meeting of 20 January 2020, along with revised Terms of Reference as part of the and revised governance arrangements detailed above.

**70.** The Board is also supported by a Chief Officer who provides strategic and operational advice to the Board and the Chief Finance Officer who is responsible for financial management including budget monitoring reports.

**71.** Board members are well informed on key issues and provide 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 on particular items or areas of business. In 2019/20, RIJB held development sessions which covered a variety of themes, such as Strategic Planning, Financial Planning and the Change and Improvement Programme.

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

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

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

- delegated powers were agreed to allow the Chief Officer and the HSCP the flexibility to adapt to the significant public health challenges;
- decisions taken under delegated authority are logged and support the Local Resilience Management Team and Mobilisation plan;
- working with partners at local and national level to respond to the pandemic and implementing business continuity plans to ensure services deliver and support the most vulnerable and at-risk residents; and
- virtual Board and Audit, Risk and Scrutiny Committee meetings were held.

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

### **RIJB operates in an openness and transparent manner**

**76.** 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.

**77.** The timing of the 2019/20 Board and Audit, Risk and Scrutiny Committee meetings was such that these were completed before the national lockdown and were therefore open to the public and all documents and minutes were available on the website. Due to the Covid-19 pandemic, all 2020/21 meetings have been held virtually and papers and minutes continue to be published on the website. From July 2020 onwards, all meetings have been recorded and are available for members of the public to view online.

**78.** Overall, RIJB shows a commitment to transparency with all IJB and Audit, Risk and Scrutiny Committee meeting minutes and documents previously being available on the website and all meetings being open to the public where possible.

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

## Arrangements are in place to secure Best Value

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

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

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

**84.** RIJB also seeks to ensure best value through monitoring of service performance, the details of which are in the following section.

## Performance levels were in line with agreed targets

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

**86.** Performance management reports are reviewed by the Board throughout the year. RIJB's Annual Performance Report 2019/20 was published on 12 October 2020 and was in line with requirements of the Act.

**87.** 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.

**88.** 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; and

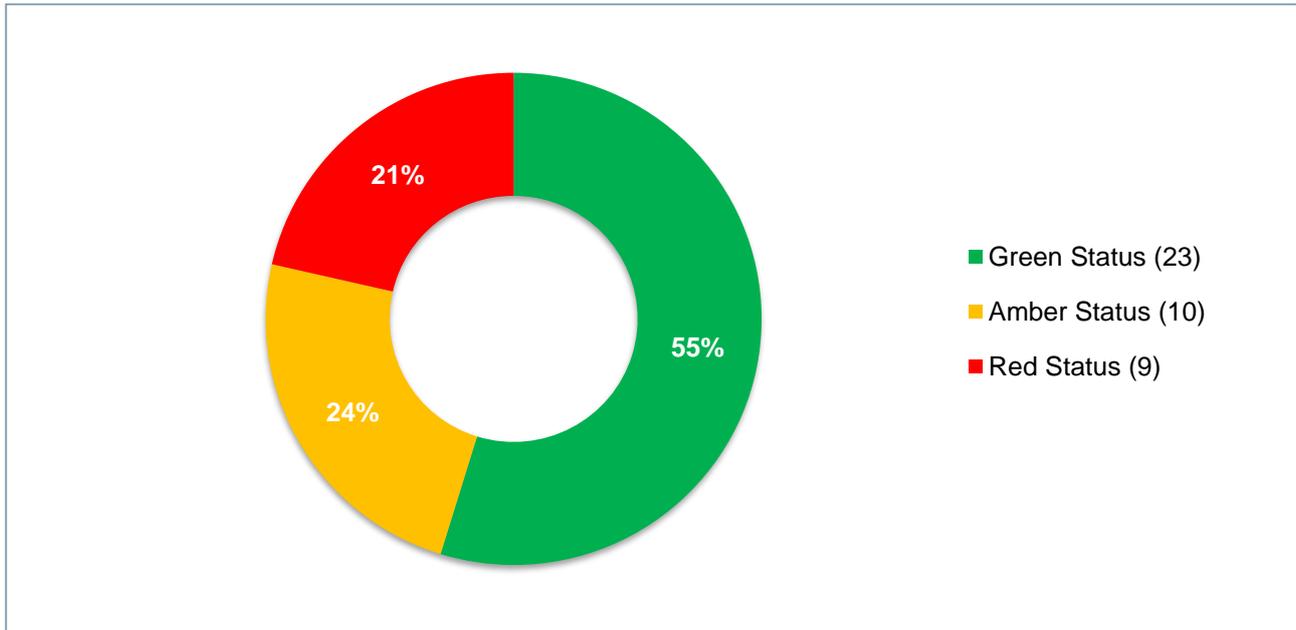
- Recovery/Care/Reablement.

**89.** The annual performance report contains information on 42 key performance indicators (KPIs) assessed as red, amber or green on the basis of performance against a target. The performance against KPIs for 2019/20 is summarised in Exhibit 4. The results reported are broadly in line with those from 2018/19, which showed; Green (55%), Amber (12%), Red (33%).

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## Exhibit 4

### Performance Indicators



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## National performance audit reports

**90.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published some reports which may be of direct interest to the Board as outlined in [Appendix 3](#).

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1-2	<p><b>Financial Sustainability</b></p> <p>RIJB has a savings requirement of £2.619 million per the 2020/21 budget settlement. Ongoing cost and demand pressures of approximately £10 million per year are projected in the medium to long term, these will require additional savings as set out in the MTFP. These projections were made prior to the impact of Covid-19.</p> <p>The Covid-19 pandemic has introduced further financial challenges. The estimated additional cost of Covid-19 between March 2020 and March 2021 is £13.643 million.</p> <p>RIJB's October 2020 Financial Report projects an overspend of £8.115m for the 2020/21 financial year based on the level of confirmed Covid-19 funding.</p> <p><b>Risk</b></p> <p>RIJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<ol style="list-style-type: none"> <li>1. The board should remain focussed on the financial challenges facing RIJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.</li> <li>2. Work with key partners to identify and act on further opportunities to deliver service transformation that will help shift the balance of care. These actions should be integrated into the planned changes to set-aside and into current and future service transformation projects where appropriate.</li> </ol>	<p>Work is underway to develop savings proposals based on estimated funding positions. In line with previous years this will be subject to the Scottish Governments confirmation of 2021/22 budgets. It is anticipated that savings proposals will be submitted to the IJB for consideration and approval between Jan and March 2021</p> <p>Chief Finance Officer 31 March 2021</p>
<b>Follow up of prior year recommendations</b>			
2	<p><b>Budget Approval</b></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>RIJB should seek confirmation from Renfrewshire Council the full details of the proposed budget for inclusion within the Board papers for budget approval.</p>	<p>The 2020/21 budget papers included the full budget figure for adult social care.</p> <p>Recommendation closed.</p>
3	<p><b>Use of Additional Sources of Funding</b></p> <p>RIJB used additional recurring and non-recurring funding from</p>	<p>RIJB should review the existing additional funding arrangements with partners and consider how any future</p>	<p>Additional funding held by Renfrewshire Council has been fully drawn down in 2019/20.</p>

Renfrewshire Council in 2018/19.

**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 reporting of RIJB's financial position more challenging.

arrangements will be processed.

Recommendation closed.

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**4**

**Performance Management**

A number of performance indicators report performance has been well above the target for current and prior years.

**Risk**

There is a risk that the targets that have been do not provide sufficient challenge to improve performance.

RIJB should revisit the performance targets to ensure that where performance targets are set locally, they remain appropriate.

An updated Performance Framework was approved by RIJB in September 2019.

Recommendation closed.

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# 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](#).

### Risks of material misstatement in the financial statements

<p><b>1 Risk of management override of controls</b></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"> <li>• Obtain written assurance from the partner bodies over journal entries and testing the completeness, accuracy and allocation of income and expenditure.</li> <li>• Perform testing on transactions processed locally by RIJB.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>	<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><b>Conclusion: there is no evidence of management override of controls at RIJB.</b></p>
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### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p><b>2 Financial sustainability</b></p> <p>RIJB is facing a number of financial pressures including pay inflation, increasing prescribing costs and increasing service demand.</p> <p>These pressures are expected to continue into 2020/21 and 2021/22; RIJB has projected a funding gap of between £11 million and £14 million for this period.</p>	<ul style="list-style-type: none"> <li>• Attendance at Board meetings</li> <li>• Monitor of performance against savings plans</li> <li>• Monitoring service delivery KPIs.</li> <li>• Consideration of savings plan for 2020/21.</li> </ul>	<p><b>Conclusion: RIJB will continue to face significant financial challenges, which have increased as a result of the Covid-19 pandemic. We will continue to assess financial sustainability as part of our audit in 2020/21 and beyond.</b></p>
<p><b>3 Budget approval</b></p> <p>RIJB's health budget has not been fully approved prior to start of the financial year for a number of years. The approved 2019/20 social care budget paper did not contain the full year budget figures the Board were asked to approve, instead only anticipated budget pressures in addition to the 2018/19 budget were included.</p>	<ul style="list-style-type: none"> <li>• Attendance at Board meetings and discussions with management.</li> </ul>	<p><b>Conclusion: RIJB has but in place arrangements to mitigate the impact of the health budget not being fully approved prior to the start of the financial year.</b></p>

There is a risk that RIJB members are not receiving timely and detailed information during the budget setting process.

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#### 4 Effectiveness of Governance arrangements

The current governance arrangements including the remit of the Audit Committee and the role of the Internal Audit function have not been reviewed since the RIJB was established on 1 April 2016. RIJB has now been in operation for nearly 4 years and it would be appropriate to review the governance arrangements to ensure they remain fit for purpose.

Without this review there is the risk that the governance arrangements do not adequately support the RIJB requirements.

- Engage with management and monitor progress made to review the current governance arrangements.

The Audit Committee was replaced by the Audit, Risk and Scrutiny Committee in June 2020.

We reviewed the new terms of reference and attended meetings of the new committee.

We reviewed the revised Financial Governance arrangements.

**Conclusion: RIJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.**

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#### 5 Financial Management – Set Aside

The 2018 Scottish Parliament report “Looking ahead to the Scottish Government – Health Budget 2019/20: Is the budget delivering the desired outcomes for Health and Social Care in Scotland?”, concluded that the set aside budget is, generally, not operating as intended.

Significantly, the report highlights that there is disconnect between how the set aside budget should operate in principle compared with how it is operating in practice meaning that this mechanism for shifting the balance of care is not being utilised effectively.

As the RIJB continues to face significant challenges, there is a need to ensure the continued financial sustainability of the organisation and this will require a significant shift in the spending and services from hospitals to community and social care.

- Review RIJB’s approach to using the set aside budget, specifically through its engagement with the Health Board to improve set-aside arrangement and report on progress made to date.

RIJB has made progress towards the operation of set-aside, with a draft Unscheduled Care Strategic Commissioning Plan being reported to the Board in June 2020. The plan builds on the Board wide Unscheduled Care Improvement Programme and is integral to the Board-wide Moving Forward Together programme.

A financial framework is currently being developed, led by Glasgow IJB, and this will be assisted by the recognition of set-aside in actual rather than notional budget amounts. The IJB intend to develop a finalised plan once the further work and engagement required is complete.

**Conclusion: Work towards improving set-aside arrangements is ongoing.**

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# Appendix 3

## Summary of national performance reports 2019/20



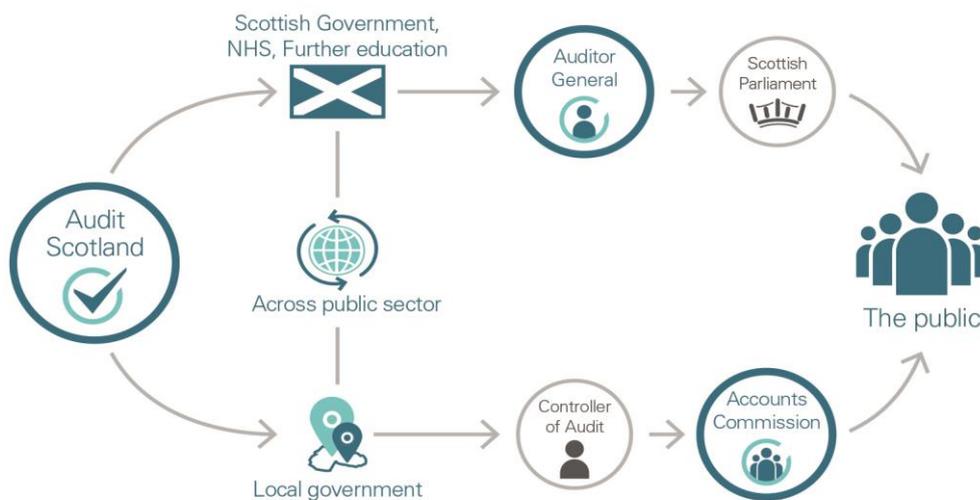
		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	 Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: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

# Appendix 4

## Who we are

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

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



## About us

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

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

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

# Renfrewshire Integration Joint Board

## 2019/20 Annual Audit Report

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