

# East Renfrewshire Integration Joint Board

**Annual Audit Report  
Year Ended 31 March 2023**

29 September 2023

This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor East Renfrewshire Integration Joint Board for financial years 2022/23 to 2026/27.

This report is for the benefit of the Board and is made available to the Audit Scotland and the Accounts Commission (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

### **Accessibility**

Our report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018.



# Contents

<b>Section</b>	<b>Auditor Responsibility</b>	<b>Page</b>
1. Key messages	Summarise the key messages for the 2022/23 audit	03
2. Introduction	Summarises our audit approach and application of materiality	05
3. Financial Statements	Provide an opinion on audited bodies' financial statements Review and report on, as appropriate, other information such as the annual governance statement and remuneration report	08
4. Best Value and Wider Scope Audit	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the Board's: <ul style="list-style-type: none"><li>▶ Arrangements to secure sound financial management;</li><li>▶ The regard shown to financial sustainability;</li><li>▶ Clarity of plans to implement the vision, strategy and priorities of the Board, and the effectiveness of governance arrangements for delivery; and</li><li>▶ The use of resources to improve outcomes.</li></ul> Best Value audit work is integrated with wider scope annual audit work.	16
Appendices	Undertake statutory duties, and comply with professional engagement and ethical standards: Appendix A: Code of Audit Practice: responsibilities Appendix B: Auditor Independence Appendix C: Required communications with the Performance and Audit Committee Appendix D: Timing of communications and deliverables Appendix E: Action Plan Appendix F: Adjusted audit differences Appendix G: Audit fees Appendix H: Additional audit information	29

# 1. Key messages

## Financial statements



### Financial statements

Our assessment: Green

We have concluded our audit of the financial statements of East Renfrewshire Integration Joint Board for the year ended 31 March 2023. The draft financial statements and supporting working papers were of a good quality. During the course of the audit, we identified one audit difference that management adjusted in the financial statements.

Overall, we were satisfied that the Annual Governance Statement, reflects the requirements of CIPFA's updated *Delivering Good Governance Framework*.

We made one recommendation in relation to the management of hosted services at Appendix E. East Renfrewshire IJB hosts two services on behalf of other IJBs within the NHS Greater Glasgow and Clyde area.



### Going concern

Our assessment: Green

In accordance with the CIPFA Code of Practice on Local Authority Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The IJB has concluded that there are no material uncertainties around its going concern status, however it has disclosed the nature of its financial position in the financial statements to reflect the ongoing impact of recovery from the Covid-19 pandemic, increased demand for services and inflationary pressures. The Board has also disclosed how the partners will consider any overspends.

We have no matters to report in respect of our work around going concern or the conclusions reached by the Board.

Our auditor judgements are RAG rated based on our assessment of the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not within the IJB's control and internal risks which can be managed by the Board, as well as control and process observations made through our audit work.

# Wider scope



## Financial management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.

Our assessment: Green

The IJB recorded a net underspend in 2022/23 of £0.6 million. The Chief Financial Officer has, however, regularly highlighted increasing cost pressures in 2023/24 and beyond.

The IJB has had a Reserves Strategy in place since prior to the pandemic to use earmarked reserves to smooth the delivery of savings and service redesign. We do, however, note that this is unsustainable in the short term.



## Financial sustainability

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.

Our assessment: Red

In line with the IJB's financial planning expectations, the Board's reserve balances fell significantly in 2022/23. The IJB's General Reserve at 31 March 2023 was £0.27 million, or 0.19% of net expenditure, against the Board's target of 2%.

The IJB estimates that the shortfall in funding to 2027/28 may be £16.1 million. A savings requirement of £7.06 million has been set in the 2023/24 budget. The Board's current projections highlight that financial pressures may exhaust the IJB's General Reserves during 2023/24.



## Vision, leadership & governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our assessment: Green

Governance arrangements are established and worked well throughout 2022/23. The Annual Governance Statement was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA Good Governance framework.

The Performance and Audit Committee maintains a good level of oversight over outstanding audit recommendations.



## Use of resources

The IJB's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

Our assessment: Green

The IJB has a well-developed approach in place to monitor and report on key areas of performance, and has worked to enhance the information available for scrutiny.

A Joint Inspection of Adult Support and Protection concluded that the services have major strengths. The Annual Performance Report highlights that demand pressures, capacity constraints further impacted by staffing absence levels meant that the Care at Home service reached a crisis point in winter 2022/23.

## Best Value

We are required to conclude on the IJB's arrangements to demonstrate the achievement of Best Value. In our view, the IJB's performance management and financial reporting arrangements allow the Board to demonstrate the achievement of Best Value. There is, however, an imminent risk that the delivery and improvement of services may be reduced as a result of the Board's reserves position, and by partner funding not keeping pace with ongoing cost pressures.

## 2. Introduction

### **Purpose of our report**

The Accounts Commission for Scotland appointed EY as the external auditor of East Renfrewshire Integration Joint Board ('IJB' or 'the Board') for the five year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the IJB and the Accounts Commission, and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

A key objective of audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Board employs best practice and where practices can be improved, and how risks facing the IJB can be mitigated. We use these insights to form audit recommendations to support the Board.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the IJB. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### **Our independence**

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

### **Scope and responsibilities**

The Code sets out the responsibilities of both the Board and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan which was presented to the Board's Performance and Audit Committee on 29 March 2023. There have been no material changes to the plan.

### **Our review and assessment of materiality**

In our Annual Audit Plan we communicated that our audit procedures would be performed using an overall materiality of £2 million. Exhibit 1 confirms that we have assessed that this level of materiality remains appropriate for the actual outturn for the 2022/23 financial year.

Performance materiality remains at 50% of overall materiality at £1 million.

## Financial Statements audit

We are responsible for conducting an audit of the Board's financial statements. We provide an opinion as to:

- ▶ Whether they give a true and fair view of the state of the affairs of the IJB as at 31 March 2023 and of its income and expenditure for the year then ended
- ▶ Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code.
- ▶ Whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We outlined the significant risks and other focus areas for the 2022/23 audit in our Annual Audit Plan, which was presented to the Performance and Audit Committee on 29 March 2023. There have been no changes to our planned audit approach.

One significant risk was identified in relation to the risk of fraud in expenditure recognition, which includes the risk of management override of controls. We consider this risk to manifest itself through the manipulation of expenditure recognition. In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 3 of this report.

### Exhibit 1: Updated materiality assessment in 2022/23 assessment

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £2 million. We have considered whether any change to our materiality was required in light of the income and expenditure in 2022/23 and concluded that no changes were required.



**Overall  
materiality**



**Performance  
materiality**



**Reporting  
materiality**

Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

## **| Wider scope and best value**

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the IJB, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ The Board's arrangements to secure sound financial management.
- ▶ The regard shown to financial sustainability.
- ▶ Clarity of plans to implement the vision, strategy and priorities of the Board, and the effectiveness of governance arrangements for delivery.
- ▶ The use of resources to improve outcomes.

Our Annual Audit Plan identified one area of significant risk in relation to the wider scope dimensions, regarding the development of a robust Medium Term Financial Plan. Our findings are summarised in Section 4 of this report. Our annual assessment of the IJB's arrangements to secure best value is integrated within our wider scope annual audit work.



# 3. Financial Statements

## Introduction

The annual financial statements allow the IJB to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted one area that we identified as a fraud risk relating to the presumed risk of fraud in revenue and expenditure recognition, including through management override of controls. For the IJB, we consider this risk to manifest itself as an expenditure recognition risk.

## Compliance with regulations

As part of our oversight of the IJB's financial reporting process we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2022/23.

The draft financial statements and supporting working papers were submitted for audit by 30th June 2023, in line with requirements. The financial statements and working papers were of a good quality.

We were satisfied that the IJB made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.

As part of the audit process, we worked with the finance team to make enhancements to the presentation of the financial statements, including going concern disclosures.

## Audit outcomes

We identified one adjusted differences arising from the audit which have been reflected within the financial statements. No differences remain unadjusted. Our overall audit opinion is summarised on the following page.

As part of the audit we reviewed the financial statements and made a number of comments aimed at improving the compliance with the Code of Accounting Practice, or to enhance the understanding of the financial statements. We worked with management to make amendments as appropriate and will continue to discuss good practice going forward.

We made one recommendation relating to the financial statements as a result of the annual audit, which was graded as moderate priority (Grade 2). This, together with management responses are included within the action plan in Appendix E.

## **| Audit approach**

We adopted a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement.

Our audit involves:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IJB's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements.
- ▶ Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.
- ▶ Ensuring that reporting to the Performance and Audit Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- ▶ We rigorously maintain auditor independence (refer to Appendix B).

## Exhibit 2: Our audit opinion

Element of our opinion	Basis of our opinion	Conclusions
<p><b>Financial statements</b></p> <ul style="list-style-type: none"> <li>▶ Truth and fairness of the state of affairs of the IJB at 31 March 2023 and its expenditure and income for the year then ended.</li> <li>▶ Financial statements in accordance with the relevant financial reporting framework and relevant legislation.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.</li> <li>▶ We are satisfied that accounting policies are appropriate and estimates are reasonable.</li> <li>▶ We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.</li> </ul>	<p>We have issued an unqualified audit opinion on the 2022/23 financial statements for the IJB.</p>
<p><b>Going concern</b></p> <ul style="list-style-type: none"> <li>▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis.</li> <li>▶ Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.</li> </ul>	<p>In accordance with the work reported on page 14, we have not identified any material uncertainties.</p>
<p><b>Other information</b></p> <ul style="list-style-type: none"> <li>▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Chief Financial Officer is responsible for other information included in the financial statements.</li> <li>▶ We conduct a range of substantive procedures on the financial statements and our conclusion draws upon review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector.</li> </ul>	<p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p>

## Exhibit 2: Our audit opinion (continued)

Element of our opinion	Basis of our opinion	Conclusions
<p><b>Matters prescribed by the Accounts Commission</b></p> <ul style="list-style-type: none"> <li>▶ Audited part of remuneration report has been properly prepared.</li> <li>▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.</li> </ul>	<p><b>Our procedures include:</b></p> <ul style="list-style-type: none"> <li>▶ Reviewing the content of narrative disclosures to information known to us.</li> <li>▶ Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code.</li> </ul>	<p>We issued an unqualified opinion.</p>
<p><b>Matters on which we are required to report by exception</b></p>	<p><b>We are required to report on whether:</b></p> <ul style="list-style-type: none"> <li>▶ Adequate accounting records have been kept.</li> <li>▶ Financial statements and the audited part of the remuneration report are not in agreement with the accounting records.</li> <li>▶ We have not received the information or explanations we require.</li> </ul>	<p>We have no matters to report.</p>

## Our response to significant and fraud audit risks

We identified one significant risk within our 2022/23 Annual Audit Plan:

- ▶ Risk of fraud in expenditure recognition, including through management override of control (key audit matter).

### What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

As there is no material judgement associated with the recognition of the IJB's funding from East Renfrewshire Council and NHS Greater Glasgow and Clyde, we have determined that the risk of revenue recognition does not materialise. We therefore consider this risk to be most prevalent in the following expenditure balances:

- ▶ Cost of services: £218.7 million;
- ▶ Cost of services prior year comparator: £212.9 million;
- ▶ Short-term creditors: £3.9 million; and
- ▶ Short-term creditors prior year comparator: £0.4 million.

Refer to accounting policies 1.2, 1.5, 1.8 and 1.9 (pages 58-60) and notes 2, 4, 5 and 7 of the Financial Statements.

### What judgements are we focused on?

For expenditure we focus on the risk in relation to the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners.

There may be judgement in the timing of the recognition of expenditure.

### What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2022/23 our work included:

- ▶ We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services.
- ▶ We reviewed the financial information that management present to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the year end also made clear that the year end outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from East Renfrewshire Council and NHS Greater Glasgow and Clyde.
- ▶ Review of additional revenue streams and cut-off testing for additional income received.
- ▶ As part of the year end process, we obtained written confirmation statements from the Director of Finance at NHS Greater Glasgow and Clyde and the Section 95 Officer at East Renfrewshire Council of the spend by the respective bodies on delivering services, and therefore their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- ▶ We obtained independent confirmation from the appointed auditor at both the Council and NHS Greater Glasgow and Clyde of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.

## | Risk of management override

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

## | Risk of fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.

## | Testing on journal entries

We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the IJB, which are hosted on the East Renfrewshire Council financial ledger. All of the journals for the IJB's transactions were posted at the year end and we reviewed all transactions in the course of our work.

## | Judgements and estimates

Management identified one significant estimate within the financial statements, relating to hosted services where, for example, East Renfrewshire IJB provides services for other IJBs. The current arrangements do not align with the expectations within the Integration Scheme.

**Recommendation 1:** The Board does not have formally agreed arrangements in place to address operational responsibilities for hosted services.

We reviewed supporting documentation on the basis for the assessment of consumption of hosted services, agreed hosting arrangements for each service back to the integration scheme and reperformed calculations as appropriate. As a result of this work, we identified one audit adjustments at Appendix F.

We confirmed the process for ensuring that there were no claims applicable to the IJB that required provision to be made in relation to the CNORIS (Clinical Negligence & Other Risks Indemnity Scheme).

## | Accounting policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the IJB to be appropriate and there were no significant accounting practices which materially depart from the Code.



## Our conclusions

- ▶ Our testing has not identified any material misstatements relating to revenue and expenditure recognition.
- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

## Going concern

### Audit requirements

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of the ongoing impact of Covid-19, the cost of living crisis and inflationary pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Board and its financial sustainability.

Management's going concern assessment and associated disclosures cover the 12 month period following approval of the financial statements, to September 2024.

After completing its going concern assessment in line with the information and

support provided through earlier discussions in the audit process, the IJB has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the Board's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- ▶ The completeness of factors considered in management's going concern assessment.
- ▶ The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.

The Scottish Government introduced a National Care Service (Scotland) Bill to Parliament on 20 June 2022. Under these Reports, the functions of the IJB would transfer to become the responsibility of a National Care Service by 2026. Due to the anticipated continuation of service provision, we were satisfied that the going concern basis of accounting will continue to be appropriate for the Board.



### Our conclusions

- ▶ We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key reports to the IJB and financial plans. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the IJB.

## ISA (UK) 315: Identifying and assessing the risks of material misstatement

### Audit requirements

As set out within our Annual Audit Plan, there has been a significant change to the auditing standard, ISA (UK) 315 and this impacted our 2022/23 audit approach and the procedures we needed to perform.

The standard drives our approach to:

- ▶ Risk assessment.
- ▶ Understanding the Board's internal control arrangements.
- ▶ The identification of significant risks.
- ▶ How we address significant risks.

Key changes to our audit approach as a result of the implementation of ISA 315 were:

- ▶ A significant increase in audit work on the IJB's use of IT in the systems of internal control across partner organisations.
- ▶ Increased importance of our understanding of the entity and environment, the applicable financial reporting framework, and system of internal control.

- ▶ A greater focus on professional scepticism including ensuring that audit approaches do not show bias to look for corroborative evidence or excluding contradictory evidence.
- ▶ We made enhanced inquiries of management and others within the IJB who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.
- ▶ We held discussions with key members of the IJB including in respect of the risks of fraud and considered the implications for the audit.



### Our conclusions

- ▶ We identified 11 relevant IT systems and applications which contribute to the production of the Board's financial statements, with the majority of these systems and applications being hosted by the IJB's partners in East Renfrewshire Council and NHS Greater Glasgow and Clyde.
- ▶ Our work did not identify any significant weaknesses in the Board's systems of internal control.



# 4. Best Value and Wider Scope

## Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

## Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- ▶ Financial management.
- ▶ Financial sustainability.
- ▶ Vision, Leadership and Governance.
- ▶ The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the IJB's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland.




For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

## Best Value

The Code explains the arrangements for the audit of Best Value in Integration Joint Boards. The changes to IJBs anticipated from the Scottish Parliament's National Care Service Reports mean that the Accounts Commission will no longer require the Controller of Audit to report to the Commission on each IJB's performance on its Best Value duty.

As a result, the findings from our wider scope work have informed our assessment on Best Value themes in 2022/23.

### Exhibit 4: Our RAG ratings

	<b>Red</b>	Our auditor judgements are RAG rated based on our assessment of the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area.
	<b>Amber</b>	
	<b>Green</b>	This takes account of both external risks not within the IJB's control and internal risks which can be managed by the Board, as well as control and process observations made through our audit work.

# Financial Management



## Our overall assessment: Green

The IJB recorded a net underspend in 2022/23 of £0.6 million. The Chief Financial Officer has, however, regularly highlighted increasing cost pressures in 2023/24 and beyond.

The IJB has had a Reserves Strategy in place since prior to the pandemic to use earmarked reserves to smooth the delivery of savings and service redesign. We do, however, note that this is unsustainable and reserves may be exhausted in 2023/24.

## Financial Outturn

The IJB's financial outturn in 2022/23 records a net underspend in operational service delivery of £0.6 million. The outturn reflects underspends against care package costs in Children and Families (£0.46 million) and reductions in nursing and care home admissions (£1.53 million), offset by:

- ▶ An overspend within Intensive Services where demand continues to exceed expectations (£0.6 million);
- ▶ Learning disability community services (£0.7 million); and
- ▶ A substantial increase in the cost and volume of prescriptions (£0.77 million) despite use of the IJB's smoothing reserve (£0.46 million) to respond to fluctuations in prices. Prices increased by 10.2% in 2022/23, reflecting the volatile global market and is difficult for the IJB to predict or manage.

During the year, the IJB continued to experience additional costs relating to the ongoing impact of the pandemic.

The IJB drew down funding of £4.56 million to meet Covid-19 costs in 2022/23 (2021/22: £8.9 million). During 2022/23 the funding was no longer available to support unachieved savings and we note that this is the last year that funding will be available and future costs will remain a cost pressure for the IJB.

## Impact of cost pressures

While the IJB delivered an underspend in 2022/23, the Chief Financial Officer uses regular budget monitoring reports to highlight increasing cost pressures in 2023/24 and beyond.

The cost pressures outlined in the 2023/24 budget include:

- ▶ The impact of pay and other inflation, including the delivery of the living wage (£4.9 million);
- ▶ Additional pressures as a result of demographic change, including an ageing population and increased complexity of care (£2.3 million); and
- ▶ The need to deliver legacy savings brought forward from the pre-pandemic budget (2.44 million).

The IJB has recognised a cost pressure for prescribing that equates to the level of funding uplift provided by the Scottish Government (£0.35 million). The budget monitoring report for the first quarter of 2023/24 notes that the overspend to date for prescribing is £0.75 million.

Other costs are unknown at this stage, including the 2023/24 pay awards for local government staff.

## **| Budget monitoring was effective throughout the financial year**

The IJB received regular budget monitoring reports throughout the financial year. The reports included the forecasted outturn for the financial year, and therefore the projected impact on the Board's reserve balances.

Exhibit 4 highlights that for the majority of the financial year, the IJB anticipated that service expenditure would be overspent against budget. The key factors behind the improvement in the outturn against forecast were:

- ▶ Further improvements in care costs as a result of greater use of respite and flexibility within care packages (£0.35 million)
- ▶ Projected assumptions about filling social care posts were prudent (£0.15 million);
- ▶ and a higher than expected gain from the NHS pay award due to turnover (£0.3 million).

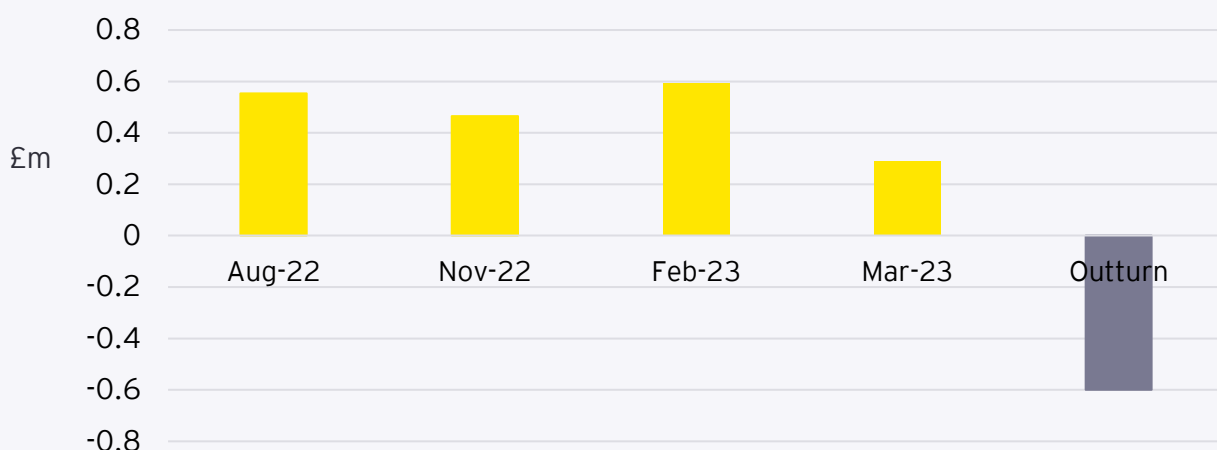
## **| The IJB has earmarked reserves in place to support the phasing-in of planned savings, including service redesign**

The IJB has had a reserves strategy in place since prior to the pandemic to allow it to prepare for and respond to cost pressures.

In 2022/23, the IJB used £2.4 million of a budget phasing reserve to support ongoing work to deliver legacy savings. Undelivered savings will continue to represent an added financial pressure for the IJB to be achieved in future years.

A number of reserve balances totalling £0.567 million were transferred to the budget phasing reserve to prepare for the scale of the budget savings required in 2023/24. We note within Financial Sustainability that these reserve balances now total £1.6 million.

### **Exhibit 4: Budget monitoring to the Board during the financial year**



## **| The IJB reviewed its arrangements against the Financial Management Code**

The CIPFA Financial Management Code came into effect for all local government bodies during 2021/22. It is intended to support good practice in financial management, assist in demonstrating a local authority's financial sustainability, and set out standards of financial management. The standards are considered necessary to provide the strong foundation to:

- ▶ financially manage the short, medium and long-term finances of a local authority
- ▶ manage financial resilience to meet unforeseen demands on services; and
- ▶ manage unexpected shocks in their financial circumstances.

In June 2023, the IJB's Performance and Committee considered an assessment of the Board's arrangements against the requirements of the Code. The review concluded that the IJB is compliant, but outlined areas for development including:

- ▶ The continuing discussions with partners to ensure that demographic, demand and cost pressures the IJB face are fully evidenced and communicated;
- ▶ The delivery of £7 million of savings in 2023/24; and
- ▶ The need to progress existing open audit recommendations.

An action plan is in place and progress will be reported to the Committee.

As this is the first year of our annual audit work, we considered the strength and depth of the finance team, including the

arrangements in place to monitor and report on budgets to the Board.

The IJB has an experienced finance team and we noted that a number of members of staff were involved in the preparation and audit of the financial statements to support capacity. As a result, we were content that there are sufficient skills and capacity within the team, but we will continue to monitor the arrangements throughout our appointment.

## **| The Board concluded that its internal control arrangements remain effective**

Within the IJB's Annual Governance Statement, the Board has concluded that they have obtained assurance that the system of internal control was operating effectively during the year.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

Following the revisions to the ISA (UK) 315, our audit methodology included a greater focus on the use of IT in the system of internal control. For the IJB, this required us to assess the systems across partner organisations. We assessed the financial control environment, to the extent required for a financial statements audit, during our planning and risk assessment and updated our understanding as part of the year end audit.

Our work did not identify any significant weaknesses in the systems of internal control relevant to the preparation of the IJB's financial statements.

# Financial Sustainability

## Our overall assessment: Red



In line with the IJB's financial planning expectations, the Board's reserve balances fell significantly in 2022/23. The IJB's General Reserve at 31 March 2023 was £0.27 million, or 0.19% of net expenditure, against the Board's target of 2%.

The IJB estimates that the shortfall in funding to 2027/28 may be £16.1 million, including significant pressure in 2023/24. A savings requirement of £7.06 million has been set in the 2023/24 budget. The Board's current projections highlight that financial pressures may exhaust the IJB's General Reserves during 2023/24.

## The context for financial sustainability within the IJB sector

Scotland's public services are facing unprecedented challenges. In May 2023, the Scottish Fiscal Commission published their report on Scotland's Economic and Fiscal Forecasts which showed that forecast spending could exceed funding by 2% (£1 billion) in 2024/25, rising to 4% (£1.9 billion).

The Accounts Commission publishes an annual report on the financial performance of IJBs. Integration Joint Boards: Financial Analysis 2021/22 (April 2023). The report highlights the significant pressures impacting the sector including:

- ▶ The rising demand associated with an ageing population with increasingly complex health and social care needs.
- ▶ A workforce under extreme pressure facing continuing recruitment and retention challenges, including staff turnover rates of around 30%.
- ▶ Weakening financial position, with almost half of IJBs holding contingency reserves of less than one per cent of the net cost of services.
- ▶ A funding gap of £124 million in 2022/23 alone, with IJBs expected to draw upon reserves to fund around 14% of the gap.

## There has been a significant change in IJBs reserves positions across the sector as the Scottish Government recovered unspent Covid-19 funding in 2022/23

Across the sector, IJB reserves doubled in 2021/22 to £1.262 billion, largely due to Covid-19 funding received in February 2022. As a result, IJBs across Scotland held Covid-19 related reserves of £502 million, including £9.26 million held by East Renfrewshire IJB.

In January 2023, the Scottish Government wrote to IJBs to seek recovery of unspent Covid-19 balances. Funding for the response to the pandemic is therefore expected to end in 2022/23. The Scottish Government indicated that they planned to recover £321 million (64 per cent) of Covid-19 related funding held by IJBs at the end of 2021/22.

East Renfrewshire IJB drew down Covid-19 funding of £4.56 million to respond to continuing pandemic cost pressures in 2022/23. As a result, the IJB returned £4.7 million of the remaining unspent Covid-19 funding balance to the Scottish Government.

## Overall, East Renfrewshire IJB reserve balances fell by 71% in 2022/23

As Exhibit 5 highlights, in 2021/22, East Renfrewshire IJB recorded £20.7 million overall in reserve balances, including £9.26 million in Covid-19 reserves.

Each year the IJB plans to meet expenditure from earmarked reserves where, for example, funding for specific purposes has not yet been used. During 2022/23, the IJB drew down a further £16.42 million of balances held in these reserves. As a result of new earmarked reserves totalling £1.7 million, the IJB's reserves reduced overall by £14.7 million in 2022/23.

We note that the IJB project that they will drawdown a further £4.3 million in 2023/24.

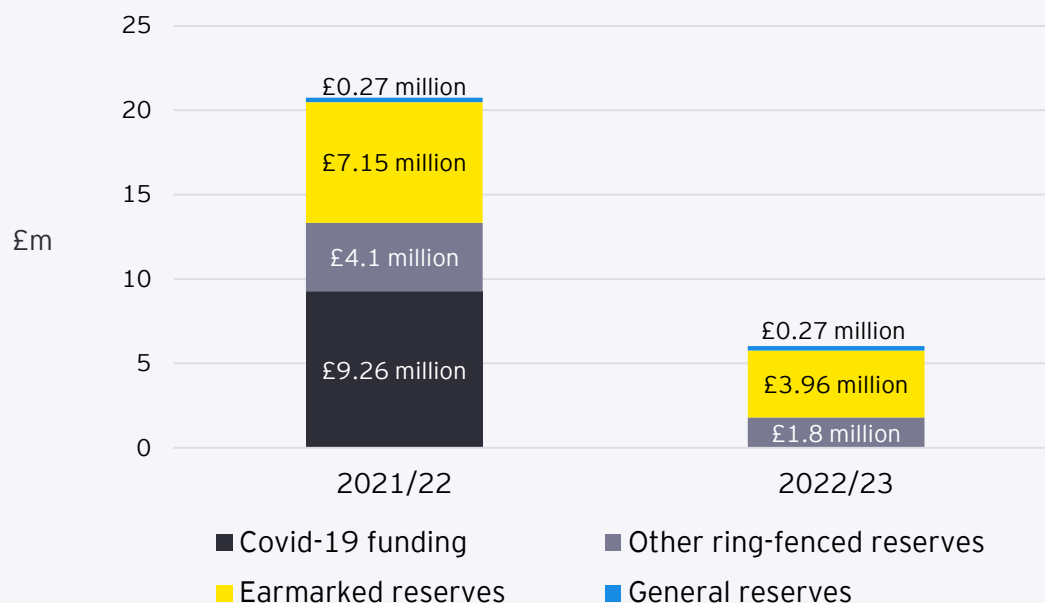
## The IJB's General Reserve balance is significantly below target.

Like most public sector bodies, the IJB has set a target for its uncommitted General Reserve of 2% of net expenditure. At 31 March 2023, the IJB's uncommitted reserve was £0.272 million, representing around 0.19% of expenditure.

While the Board has established additional earmarked reserves to provide transitional funding for service redesign, and bridging finance for in year pressures, these balances total £1.6 million. The IJB's smoothing reserve for fluctuations in prescribing costs and transition funding to support Learning Disability bed model redesign were both fully used in 2022/23.

The Chief Financial Officer has noted that further areas of overspend in 2023/24 will require the Board to make decisions about releasing earmarked reserves to meet costs.

**Exhibit 5: Reserves balances fell from £20.75 million in 2021/22 to £6.046 million (71%) during 2022/23**



## **| The IJB has updated its medium term financial outlook for the next five years**

The IJB considered an update to the medium term financial plan in June 2023. The plan is intended to be a “living document”, being regularly updated to reflect the uncertainties facing the IJB. The plan summarises the likely impact of a range of cost pressures, including:

- ▶ The impact of inflation on pay including the subsequent funding requirements for pay awards for social care staff, along with other costs such as prescribing;
- ▶ Demographic pressures, including deprivation factors; and
- ▶ Regulatory or legislative commitments.

While neither of the Board’s partners has produced detailed budgets beyond 2023/24, management use scenario modelling to outline the likely impact of future inflation, demand and regulatory commitments. The additional cost pressures across the period range from £17.9 million to £32.95 million, but the IJB makes projections based on the medium scenario and estimates that it will face cost and demand pressures potentially totalling £25.7 million over the next five years.

Taking projected funding uplifts into account, the IJB estimates that the shortfall in funding to 2027/28 may be £16.1 million. A savings requirement of £7.06 million has been set in the 2023/24 budget.

## **| The Board has set out its approach to delivering significant savings as part of the plan**

The Board’s Medium Term Financial Plan sets out two key components to delivering the required savings:

- ▶ The implementation of a Supporting People Framework; and
- ▶ The IJB’s Savings, Recovery and Renewal programme.

The Supporting People Framework has been established in recognition that the current level of budget available to the IJB reduces the Board’s ability to provide the full range of support that has been available in prior years. As a result, the Board has agreed criteria to ensure that resources are prioritised and targeted on those with the greatest need, and in particular immediate and current risks.

To allow services to be provided equitably, the Supporting People Framework sets the criteria for providing social care from 2023/24 and beyond. The Framework aligns to other IJBs within the NHS Greater Glasgow and Clyde area and is expected to account for £3.4 million, around half of the savings required in 2023/24.

The IJB’s Savings, Recovery and Renewal programme is the Board’s existing approach to deliver change projects. The programme has been refocused for 2023/24 to ensure that all change activity and financial savings are reported together, including those from the Supporting People Framework.

**Cost pressures, including the failure to deliver any planned savings, may mean that the Board's reserves are exhausted in 2023/24**

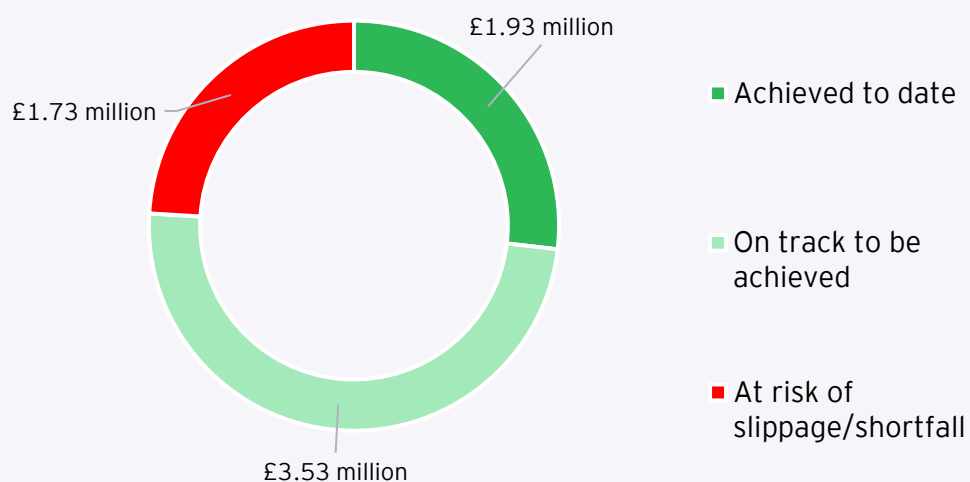
Exhibit 6 highlights that the most recent update to the Board (August 2023) assesses that £5.46 million (77%) of the savings target for 2023/24 have been achieved or are on track. At this stage, the IJB notes that £1.73 million savings are at risk of slippage or shortfall. This balance alone exceeds the Board's earmarked reserve for bridging finance for in-year pressures (£1.6 million).

The latest budget monitoring report highlights that the projected outturn for 2023/24 is £2.64 million, which assumes that all (£7.06 million) of planned savings will be delivered. As a result, there is now a very real risk that the flexibility within the IJB's reserves, including the General Reserve, will be exhausted.

The IJB has highlighted that the initial actions available will be to release earmarked reserves to support budget pressures. This limits the services and development opportunities that can be delivered by the Board. The Integration Scheme also provides an opportunity for the IJB's partners to make additional funding available.

**Recommendation 2:** There is a risk that under the current level of financial pressures, the IJB's General Reserves will be exhausted in 2023/24. There is therefore an urgent need to work with partners to develop a sustainable funding position.

**Exhibit 6: Around 77% of savings in 2023/24 are on track to be delivered**





# Vision, Leadership and Governance



## Our overall assessment: Green

Governance arrangements are established and worked well throughout 2022/23. The Annual Governance Statement was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA Good Governance framework.

The Performance and Audit Committee maintains a good level of oversight over outstanding audit recommendations.

## The IJB has approved an updated Strategic Plan for 2022-25

In March 2022, the IJB approved its updated Strategic Plan for the period 2022-25. During 2022/23, further work was undertaken to develop and implement the plan, including work towards the Strategic Commissioning Plan, which was approved in August 2023. The Board's Strategic Planning Group has responsibility for reviewing the implementation and the supporting performance framework that underpins the Plan.

Progress against the key actions within the annual delivery plan have been reported as part of the IJB's Annual Performance Report.

The Strategic Plan is supported by the Medium Term Financial Plan, including the range of actions in place to support the Board's financial position as part of the Supporting People Framework and the Savings, Renewal and Recovery programme. In addition, in November 2022, the IJB also approved the Workforce Plan 2022-25, following review by the Scottish Government.

## The Annual Governance Statement demonstrates that it has the key requirements for good governance in place

The key aspects of the IJB's governance arrangements are required to be disclosed in the Annual Governance Statement within the financial statements. We reviewed the governance statement against the requirements outlined in the CIPFA framework for *Delivering Good Governance in Local Government*, and against our understanding of the Board's arrangements in the period to 31 March 2023.

We were satisfied that it was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA framework.

Like all other public bodies in Scotland, the IJB moved to revised governance arrangements at the beginning of the UK lockdown period. While there were no significant governance issues that the IJB required to report on in 2022/23, the Governance Statement notes that service delivery models are reviewed as services are delivered in person or as a hybrid approach.

Committee meetings have continued to operate throughout 2022/23 and we were satisfied that there was an appropriate level of challenge and scrutiny at meetings throughout the year.

## **| The IJB's Performance and Audit Committee regularly considers the status of all audit recommendations**

The Performance and Audit Committee consider audit update reports at each meeting, including any new audit reports and updates on outstanding recommendations since the last meeting.

The reporting addresses both internal and external recommendations and provides detailed information about progress against each open action.

At 31 March 2023, the IJB reported that 56 audit actions had been made that had been progressed during 2022/23, of which 37 were considered to be implemented in full. The IJB's Chief Auditor verifies the completion of actions as appropriate.

In 2022/23 there were no unsatisfactory audit opinions issued in relation to the IJB and as a result, the Chief Auditor concluded that "reasonable assurance can be placed on the framework of governance, risk management and internal controls which operated in the East Renfrewshire Integration Joint Board in the year to 31 March 2023."

## **| The IJB has established an action plan to ensure it fully meets the Public Sector Equality Duty**

In June 2022, the Equality and Human Rights Commission (EHRC) wrote to the IJB to highlight that the Board had not fully complied with its duties to publish a Mainstreaming Report, set of Equality Outcomes and Equality Outcomes Progress Report. The EHRC noted that a mainstreaming report had not been published since 2016 and asked that the Board respond.

The EHRC provided support and training to support the development of outcomes that prioritise the most significant equality outcomes. As a result, in March 2023, the IJB published its Mainstreaming Report and interim outcomes towards its six equalities outcomes.

The IJB has highlighted the need to comply in full with its responsibilities within the updated Annual Governance Statement. We will continue to assess the Board's arrangements to comply with equality duties throughout the term of our appointment. We will consider to follow up any further response from the EHRC in 2023/24.

## Use of resources



### Our overall assessment: Green

The IJB has a well-developed approach in place to monitor and report on key areas of performance, and has worked to enhance the information available for scrutiny at the Performance and Audit Committee.

A Joint Inspection of Adult Support and Protection concluded that the services have major strengths, but the fragility of the Care at Home service was highlighted in winter 2022/23 when sickness absence levels meant that the service reached a crisis point.

### The IJB regularly reports on its performance

A comprehensive Performance Framework is in place to support the Strategic Plan both operationally within the HSCP, and for scrutiny by the Performance and Audit Committee.

The Board has agreed a range of performance indicators to report on progress in the delivery of the Board's strategic priorities. Arrangements are also in place to demonstrate how the HSCP contribution to the priorities of their partners. For example, HSCP performance is reported against East Renfrewshire Council's Outcome Delivery Plan. Similarly, the Board's strategic planning recognises the priorities within NHS Greater Glasgow and Clyde strategies, including Moving Forward Together. Twice a year, the HSCP holds a Performance Review meeting which is jointly chaired by the Chief Executives of NHS Greater Glasgow and Clyde and East Renfrewshire Council.

Quarterly Performance Reports are produced for scrutiny at the PAC. The reports include visual charts to demonstrate outcomes against targets. In 2022/23, management also developed an approach to exception reporting to the PAC for indicators that are off target.

We also note that the IJB considers presentations from individual service areas at each of their meetings to allow a deeper understanding of the performance and challenges. Areas where presentations were considered by the Board included:

- ▶ the Delayed Discharge position; and
- ▶ Winter planning.

### The Annual Performance Report highlights key achievements and challenges across each Strategic Priority area

The IJB published its Annual Performance Report in July 2023, in line with statutory requirements. The report is structured around:

- ▶ The progress towards key priorities within the Strategic Plan;
- ▶ Financial performance and Best Value; and
- ▶ A summary of performance indicators against target.

The IJB report on performance against target, but also highlight the direction of travel for each indicator, and plans for improvement where performance is lower than expected.

## The IJB continued to experience challenge in the delivery of some services

Areas where performance has shown the greatest improvement in 2022/23 include:

- ▶ Percentage of children looked after away from home who experience 3 or more placement moves (0% against a target of lower than 11%);
- ▶ Percentage of people with alcohol and/or drug problems accessing recovery-focused treatment within three weeks (96% against a target of 90%); and
- ▶ The percentage of people aged 65+ with intensive needs receiving care at home (64.4%).
- ▶ A reduction in the waiting times for children requiring support through the CAMHS service. The percentage starting treatment within 18 weeks increased to 86% (55% in 2021/22).

Exhibit 7 highlights that the IJB delivered most of the targets that it set for 2022/23. Areas of continuing challenge include:

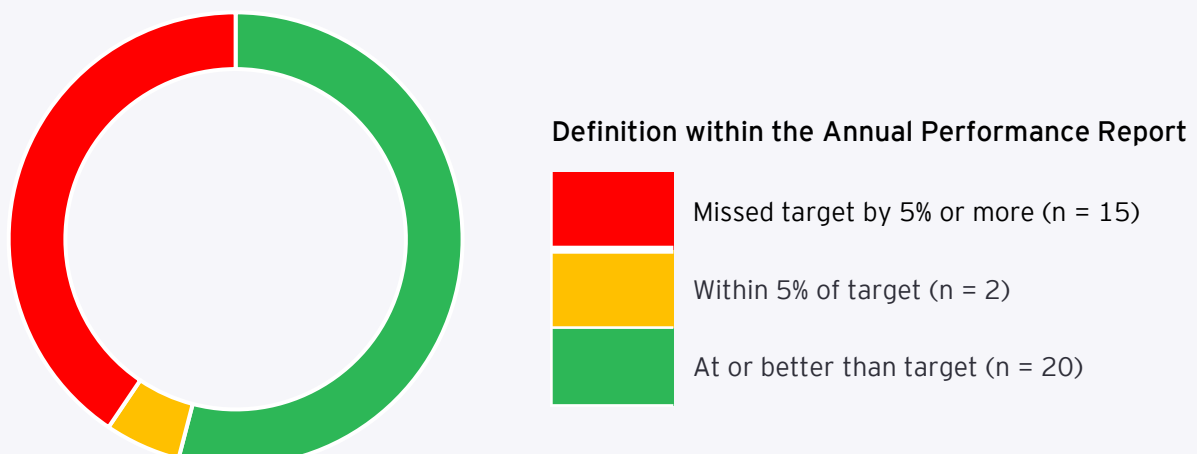
- ▶ Number of people self directing their care through receiving direct payments and other forms of self-directed support;

- ▶ Percentage of people waiting no longer than 18 weeks for access to psychological therapies (75% against a target of 90%). We do, however, note that the waiting times improved during the year to 92% by March 2023 ; and
- ▶ Acute Bed Days Lost to Delayed Discharge (Aged 18+ including Adults with Incapacity).

The Annual Report highlights significant pressures in the Care at Home service during the year, describing the service at reaching crisis point in December 2022. The service has experienced significant pressures as a result of the increasing complexity of people being supported, alongside bot recruitment and sickness absence challenges. Sickness absence rates reached 35% in January - February 2023, principally affecting frontline carer and organiser roles.

As a result of the winter pressures, the HSCP has trained staff from other departments to be able to support Care at Home services in emergency cases. We note that due to the exceptional pressures during the winter, members of the Finance Team directly supported frontline services.

### Exhibit 7: The IJB achieved 54% of its targets in 2022/23



## **| The Care Inspectorate reported on a Joint Inspection of Adult Support and Protection during the year**

During 2022/23, the Care Inspectorate carried out an inspection of Adult Support and Protection. The outcomes were reported in June 2023 and noted a range of strengths including:

The overall quality and effectiveness of core adult support and protection processes;

- ▶ Oversight of key processes supported staff and ensured consistent robust decision making for adults at risk of harm;
- ▶ Strategic leadership for adult support and protection was enthusiastic and focused. This supported targeted and meaningful improvements;
- ▶ The adult protection committee offered strong leadership for adult support and protection and offered effective oversight for the delivery of key processes; and
- ▶ Strategic leaders promoted a culture of learning and continuous improvement which supported the development of adult support and protection services for adults at risk of harm.

The report also noted the strength of partnership working with the NHS Board, delivering innovative, early and effective interventions for adults at risk of harm.

The report noted four priority areas for improvement, including the need to establish multi-agency quality assurance and self-evaluation of adult support and protection practice, including a multi-agency approach to audit of records.

## **| Plans to develop a National Care Service have been delayed**

On 17 April 2023, the Scottish Government formally requested and agreed an extension to the Stage 1 deadline for the creation of a National Care Service beyond June 2023. The Scottish Government committed to focusing on continued engagement and co-design activities.

The Finance and Public Administration Committee requested a new timetable for completion of Stage 1 and a revised Financial Memorandum. It is expected that the revised Financial Memorandum will include a detailed breakdown on spend to date on the National Care Service including costs arising from the provisions of Bill and those of the wider programme.

In May 2023, the Scottish Government announced that a range of regional co-design events would take place between June and August 2023 and supplemented with additional local engagement activity to progress the development. However, Stage 1 of the Bill was further extended to 31 January 2024 through a motion agreed by Parliament in June 2023.

It is not clear at this stage if the expected operational start date of 2026 will be impacted.

## | Best Value

In our view, the IJB's performance management and financial reporting arrangements allow the Board to demonstrate the achievement of Best Value.

There is, however, an imminent risk that the delivery and improvement of services may be reduced as a result of the Board's reserves position, and by partner funding not keeping pace with ongoing cost pressures.

### | Basis for our assessment

As auditor to the IJB, we are required to comment on how effectively, in our view, the IJB demonstrates that it meets its Best Value responsibilities.

As we noted in our Annual Audit Plan, the conclusions that we reach on the wider scope areas contribute to this consideration. We expect to develop our understanding of how the IJB meets its Best Value responsibilities over the course of our appointment.

Our assessment in 2022/23 therefore reflects the work conducted to support our wider scope responsibilities, and specifically:

- ▶ Documentation review and fieldwork interviews with senior officers;
- ▶ Our consideration of the IJB's financial planning processes including the most recent Medium Term Financial Plan;
- ▶ Governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- ▶ Our assessment of performance reporting to the Board; and
- ▶ The IJB's Strategic Plan and underpinning Workforce Plan.

### | The IJB can demonstrate that it has the key elements needed to deliver Best Value in place

The IJB has reviewed and updated its Strategic Plan by drawing upon its arrangements for public engagement and targeted consultation with key stakeholders.

It has a well-developed Performance Framework in place and we noted evidence of effective scrutiny arrangements throughout the year.

We do, however, note that the IJB's financial position is increasingly challenging. The Board relies on the financial support of its partners but under current projections, the General Reserve and earmarked funds set aside to smooth the delivery of savings will be used in full. As a result, in our view, there is a risk that the future delivery and improvement of services may be undermined by partner funding not keeping pace with ongoing cost pressures.

# | Appendices

**A**

Code of audit practice:  
Responsibilities

**B**

Independence report

**C**

Required communications with  
the Performance and Audit  
Committee

**D**

Timeline of communications and  
deliverables

**E**

Action Plan

**F**

Adjusted and unadjusted  
differences

**G**

Audit fees

**H**

Additional audit information

## Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

### Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

### Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- ▶ Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- ▶ Ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.
- ▶ Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

### Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.



# A

## Code of audit practice: Responsibilities (cont.)

### **Maintaining a sound financial position**

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ Such financial monitoring and reporting arrangements as may be specified.
- ▶ Compliance with any statutory financial requirements and achievement of financial targets.
- ▶ Balances and reserves, including strategies about levels and their future use.
- ▶ How they Report to deal with uncertainty in the medium and longer term.
- ▶ The impact of reporting future policies and foreseeable developments on their financial position.

### **Responsibilities for best value, community reporting and performance**

Local government bodies have a duty to make arrangements to secure best value. best value is defined as continuous improvement in the performance of the body's functions. In securing best value, the local government body is required to maintain an appropriate balance among:

- ▶ The quality of its performance of its functions.
- ▶ The cost to the body of that performance.
- ▶ The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- ▶ Efficiency.
- ▶ Effectiveness.
- ▶ Economy.
- ▶ The need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on best value (2020) requires bodies to demonstrate that they are delivering best value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

# A

## Code of audit practice: Responsibilities (cont.)

### Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

### Appointed auditors' responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- ▶ Audit the accounts and place a certificate (i.e., an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act.
- ▶ Satisfy themselves, by examination of the accounts and otherwise, that:
  - ▶ The accounts have been prepared in accordance with all applicable statutory requirements.
  - ▶ Proper accounting practices have been observed in the preparation of the accounts.
- ▶ The body has made proper arrangements for securing best value and is complying with its community reporting duties.
- ▶ Hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

# B Independence report

## Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

## Required Communications

### Planning Stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- ▶ The overall assessment of threats and safeguards.
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final Stage

- ▶ To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto.
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- ▶ An opportunity to discuss auditor independence issues.

**We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of East Renfrewshire Integration Joint Board.**

# C

## Required communications

We have detailed below the communications that we must provide to the Board.

### Our reporting to you

Required communications	What is reported?	When and where
<b>Terms of engagement</b>	Confirmation by the Performance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) - audit to be undertaken in accordance with the Code of Audit Practice.
<b>Our responsibilities</b>	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan - March 2023
<b>Reporting and audit approach</b>	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan - March 2023
<b>Significant findings from the audit</b>	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</li> <li>▶ Significant difficulties, if any, encountered during the audit.</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management.</li> <li>▶ Written representations that we are seeking.</li> <li>▶ Expected modifications to the audit report.</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> <li>▶ Findings and issues regarding the opening balance on initial audits.</li> </ul>	This Annual Audit Report.

# C

## Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
<b>Going concern</b>	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	This Annual Audit Report.
<b>Misstatements</b>	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li> <li>▶ The effect of uncorrected misstatements related to prior periods.</li> <li>▶ A request that any uncorrected misstatement be corrected.</li> <li>▶ Corrected misstatements that are significant.</li> <li>▶ Material misstatements corrected by management.</li> </ul>	This Annual Audit Report.
<b>Fraud</b>	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li> <li>▶ A discussion of any other matters related to fraud.</li> </ul>	This Annual Audit Report.
<b>Internal controls</b>	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report.

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## Required communications (cont.)

### Our reporting to you

Required communications	What is reported?	When and where
<b>Related parties</b>	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Annual Audit Report.
<b>Independence</b>	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Annual Audit Plan and this Annual Audit Report.
<b>External confirmations</b>	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations.</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	This Annual Audit Report.
<b>Representations</b>	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report.

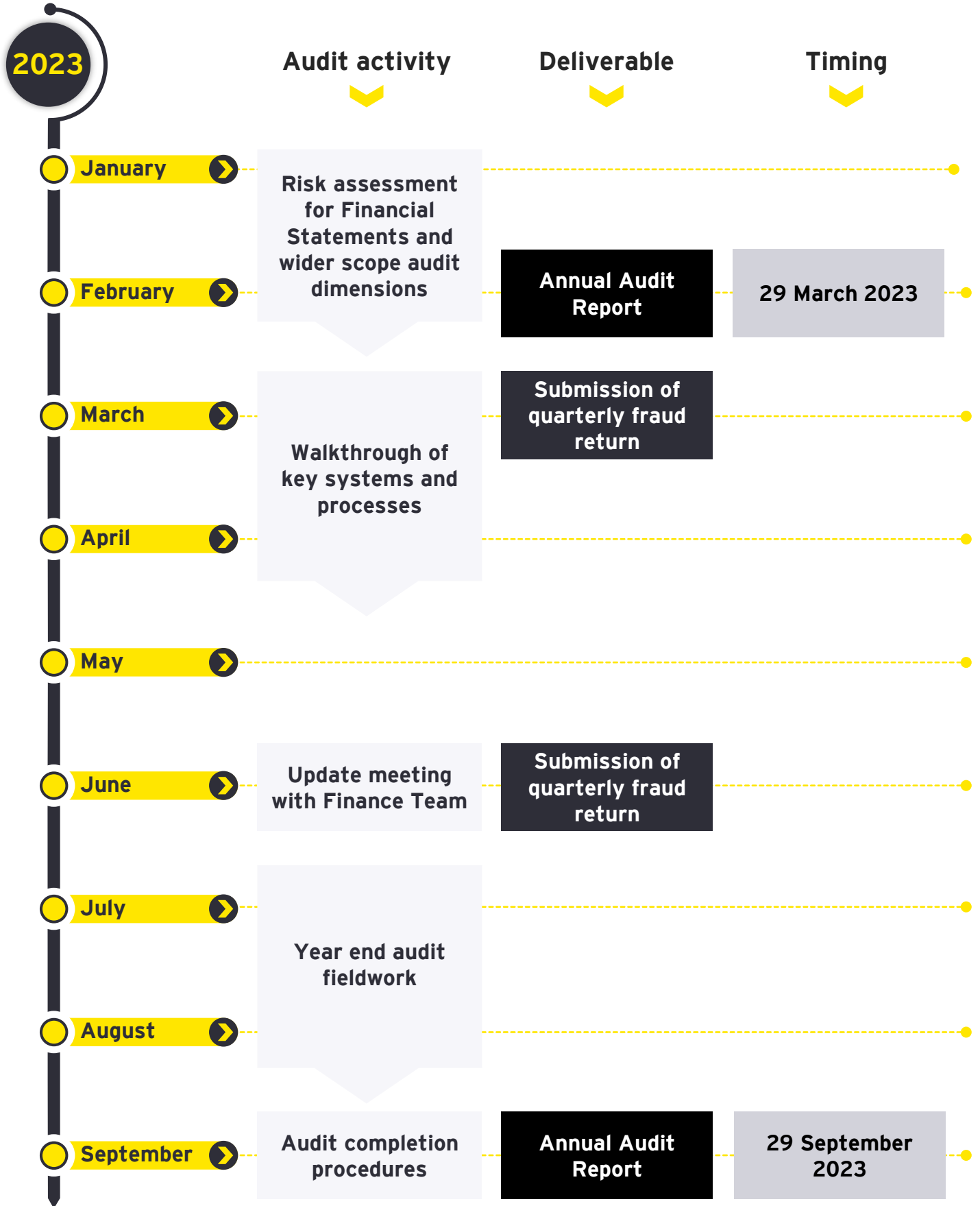
# C

## Required communications (cont.)

### Our reporting to you

Required communications	What is reported?	When and where
<b>Consideration of laws and regulations</b>	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off.</li> <li>▶ Enquiry of the Performance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance and Audit Committee may be aware of.</li> </ul>	This Annual Audit Report.
<b>Material inconsistencies and misstatements</b>	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report.
<b>Auditors report</b>	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report.
<b>Best value and wider scope judgements and conclusions</b>	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This Annual Audit Report.
<b>Key audit matters</b>	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	This Annual Audit Report.

# D Timeline of communication and deliverables





# E Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Board or management to action.

## Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1.	<p><b>Hosted Services</b></p> <p>East Renfrewshire IJB hosts two services on behalf of other IJBs within the NHS Greater Glasgow and Clyde area. We noted that in practice there are no arrangements in place to document and maintain review of operational responsibilities.</p>	<p>The IJB should ensure that operational arrangements are documented and maintained for hosted services.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> Along with the other IJBs within NHSGGC we will review the arrangements and processes to support reporting on Hosted Services</p> <p><b>Responsible officer:</b> Chief Financial Officer</p> <p><b>Implementation date:</b> 31 March 2024</p>
2.	<p><b>Medium Term Financial Plan</b></p> <p>We note that under the level of current financial pressures, there is a risk that the IJB's General Reserves will be exhausted during 2023/24. There is therefore a need to work with partners to develop a sustainable funding position.</p>	<p>There is an urgent need to work with partners to develop a sustainable funding position.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p><b>Response:</b> The current reporting to the IJB recognises the unprecedented financial challenges we are facing and that we are likely to deplete earmarked and general reserves during 2023/24.</p> <p>The IJB recognises the importance of the ongoing funding discussions with our partners that the Chief Officer and Chief Financial Officer are engaged in.</p> <p><b>Responsible officer:</b> Chief Financial Officer</p> <p><b>Implementation date:</b> 31 March 2024</p>

## F Adjusted and unadjusted differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements.

### Disclosure misstatements that have been corrected

No.	Note	Description
1	Remuneration Report	<p>The remuneration of the Chief Officer and Chief Financial Officer had not been adjusted for payments spanning the current and prior financial years. In addition, the accrued pension benefit and lump sum disclosures were based on data provided by Strathclyde Pension Fund which did not include an element of backdated pay and therefore the final salary figure applied in the pensions calculations was not accurate.</p> <p>The total impact of these differences was approximately £1k which have been adjusted in the remuneration report.</p>

### Judgemental disclosure misstatements that do not required to be corrected

No.	Note	Description
1	Note 10: Hosted Services	<p>This note relates to disclosure only - there is no impact on the IJB's income or expenditure, as each IJB meets the full cost of the service it hosts.</p> <p>For one service (Podiatry), which is hosted by another IJB, patient activity is based on a live system and we were unable to recreate supporting data. We obtained data on referrals as a proxy to allow us to estimate the calculation. This identified a potential judgemental disclosure difference based on currently available national data of up to £245k, with East Renfrewshire's notional share of the net expenditure decreasing by this amount. While this exceeds our reporting level, we have not requested the IJB to amend the financial statements.</p>

## G

## Audit Fees

**2022/23 Fees**

The Board's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2022/23	2021/22
<b>Component of fee:</b>		
Auditor remuneration - expected fee	£33,760	
Additional audit procedures (note 1)	-	
Audit Scotland fixed charges:		
Performance audit and best value	£6,360	
Audit support costs	£1,270	
<b>Sectoral price cap</b>	(£9,580)	
<b>Total fee</b>	<b>£31,470</b>	<b>£27,960</b>

As we outlined in our audit planning report, the expected fee for auditor remuneration, set by Audit Scotland, is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the IJB has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. This is the basis for the estimated level of time and skill mix involvement by auditors.

Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Audit Scotland Code of Practice.

As expected, we have encountered challenges in the first year of the audit, including additional work around disclosures that are unique to the IJB. We will hold a debrief with management to ensure all lessons are learned for future years to ensure that the audit continues to run smoothly.

# H Additional audit information

## Introduction

In addition to the key areas of audit focus outlined within the Report, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities under auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Performance and Audit Committee reporting appropriately addresses matters

communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.

- ▶ Maintaining auditor independence.

### Purpose and evaluation of materiality

- ▶ For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- ▶ Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- ▶ The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

## H Additional audit information (cont.)

### **Audit Quality Framework/Annual Audit Quality Report**

- ▶ Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- ▶ We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>
- ▶ EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: [https://www.ey.com/en\\_uk/about-us/transparency-report](https://www.ey.com/en_uk/about-us/transparency-report)

### **This report**

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of East Renfrewshire Integration Joint Board for financial years 2022/23 to 2026/27.

This report is for the benefit of the Board and is made available to the Accounts Commission and Audit Scotland (together the Recipients).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report. Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

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If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email [sreid2@uk.ey.com](mailto:sreid2@uk.ey.com). If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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