



Renfrewshire Integration Joint Board

**Annual Audit Report
Year Ended 31 March 2024**

26 September 2024



Building a better
working world

This report

This report has been prepared in accordance with the Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor to Renfrewshire Integration Joint Board for financial years 2023/24 to 2026/27.

This report is for the benefit of the Board and is made available to 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. Compliance is the responsibility of the individual body publishing the document.

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1. Key messages

Financial statements



Financial statements

Our assessment: Green

We have concluded our audit of the financial statements of Renfrewshire Integration Joint Board for the year ended 31 March 2024.

The draft financial statements and supporting working papers were of a good quality. During the course of the audit, we identified a number of minor disclosure amendments that were processed within the financial statements as part of the audit process.

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



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 significant financial pressures, and likelihood of exhausting its reserves within the going concern period.

There remains significant risk around the IJB's ability to bridge the funding gap, particularly in 2025/26. Areas of overspend or failure to deliver savings would result in recovery planning and the likely requirement for additional contributions from the IJB's partners, Renfrewshire Council and NHS Greater Glasgow and Clyde.

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 relied on the use of reserves to agree a balanced budget for 2023/24. A small overspend meant that the draw on reserves required to deliver a balanced budget was £0.6m with a further £7m drawn down in relation to specific projects funded from ear marked reserves.

The Board received comprehensive financial monitoring reports throughout the year, which include forecasts of the year end position and summaries of emerging financial risks. The IJB identified £3.4 million of savings which included vacancy management and process efficiency savings. The IJB has noted within internal reporting that the scope to deliver additional further recurring savings has increasingly been limited.



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

The Board's reserve balances fell significantly in 2023/24, and estimated projections highlight that reserves could be fully depleted by March 2026.

A cumulative recurring funding gap of £35 million has been identified in the period from 2024/25 to 2026/27. A current budget shortfall of £11.8 million in 2025/26 must be bridged by the identification of savings or additional contributions from funders. The cumulative recurring budget gap rises to £23 million in 2025/26. Other pressures within 2024/25 and beyond, such as the payment required to be made to Care at Home staff following a re-evaluation of their duties and subsequent increase to their grades and potential for slippage in the delivery of prescribing savings, mean that there is a risk that the Board's reserves balances will be exhausted in the short term.



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 functioned in line with expectations throughout 2023/24. There were no weaknesses in internal control that were required to be reported within the Annual Governance Statement. However, during the year the Board faced a number of significant challenges as savings options identified through the Sustainable Futures programme were subject to consultation with the public, and in some cases brought to judicial review. In order to deliver a balanced budget in 2025/26, challenging decisions on service priorities will be required prior to the setting of the 2025/26 budget in March 2025.



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 progress against strategic priorities and was able to demonstrate key achievements in 2023/24.

The IJB continues to highlight significant and ongoing financial risks within its risk registers that may undermine the delivery of the Strategic Plan.

Best value



Best Value

All local government bodies have a duty to make arrangements to secure best value.

The IJB's performance management and financial reporting arrangements allow the Board to demonstrate the delivery of Best Value. The Annual Performance Report describes the key achievements and areas for improvement against the priorities within the Strategic Plan.

However, the financial outlook for the IJB has continued to weaken. The Board's reserves have fallen below optimum levels, and service demands exceed assumptions in relation to funding. Inflationary pressures and pay uplifts make it increasingly difficult to sustain services at the current level. While the IJB has faced very challenging decisions during the year, it has not been able to find the consensus needed to implement sufficient savings to bridge budget gaps in 2024/25 and beyond.

The IJB and its partners therefore face very challenging decisions ahead to secure a sustainable future. To achieve Best Value, financial pressures need to be managed in a way that protects the key priorities of the IJB.

2. Introduction

Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of 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 - September 2024 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 (Appendix H).

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 Audit, Risk and Scrutiny Committee on 15 March 2024. There have been no material changes to the plan.

Our review and assessment of materiality

Our updated assessment of materiality resulted in a small change to the level reported within our Annual Audit Plan. The assessment raised materiality from £3.7 million to £4 million based on the 2023/24 levels of income and expenditure.

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 2024 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 2023/24 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 2023/24 audit in our Annual Audit Plan, which was presented to the Audit, Risk and Scrutiny Committee on 15 March 2024. 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: Our materiality assessment in 2023/24

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £3.7 million. We have considered whether any change to our materiality was required in light of the income and expenditure in 2023/24 and raised the materiality level to reflect the updated assessment following receipt of the unaudited accounts.



**Overall
materiality**



**Performance
materiality**



**Reporting
materiality**

We apply a lower level of materiality 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 and approval of sustainable financial plans. 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 2023/24.

The draft financial statements and supporting working papers were submitted for audit by 30th June 2024, 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 minor enhancements to the presentation of the financial statements, including going concern disclosures.

Audit outcomes

We identified minor presentational changes which have been reflected within the financial statements. There were no unadjusted differences. Our overall audit opinion is summarised on the following page.

As part of the audit, we reviewed the financial statements and made 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.

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 Audit, Risk and Scrutiny 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
Financial statements <ul style="list-style-type: none"> ► Truth and fairness of the state of affairs of the IJB at 31 March 2024 and its expenditure and income for the year then ended. ► Financial statements in accordance with the relevant financial reporting framework and relevant legislation. 	<ul style="list-style-type: none"> ► 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. ► We are satisfied that accounting policies are appropriate and estimates are reasonable. ► We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland. 	<p>We have issued an unqualified audit opinion on the 2023/24 financial statements for the IJB.</p>
Going concern <ul style="list-style-type: none"> ► We are required to conclude on the appropriateness of the use of the going concern basis of accounting. 	<ul style="list-style-type: none"> ► We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis. ► Wider scope procedures including the forecasts are considered as part of our work on financial sustainability. 	<p>In accordance with the work reported on page 16, we have not identified any material uncertainties.</p>
Other information <ul style="list-style-type: none"> ► We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit. 	<ul style="list-style-type: none"> ► The Chief Financial Officer is responsible for other information included in the financial statements. ► 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. 	<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
Matters prescribed by the Accounts Commission <ul style="list-style-type: none"> ▶ Audited part of remuneration report has been properly prepared. ▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared. 	Our procedures include: <ul style="list-style-type: none"> ▶ Reviewing the content of narrative disclosures to information known to us. ▶ Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code. 	We issued an unqualified opinion.
Matters on which we are required to report by exception	We are required to report on whether: <ul style="list-style-type: none"> ▶ Adequate accounting records have been kept. ▶ Financial statements and the audited part of the remuneration report are not in agreement with the accounting records. ▶ We have not received the information or explanations we require. 	We have no matters to report.

Our response to significant and fraud audit risks

We identified one significant risk within our 2023/24 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 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 the most prevalent in the following expenditure balances:

- Cost of services: £402.6 million; and
- Cost of services prior year comparator: £376.7 million.

Refer to accounting policies (pages 53-56) and notes 6, 11 and 13 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 2023/24 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 Renfrewshire Council and NHS Greater Glasgow and Clyde.
- Review of additional revenue streams and cut-off testing for additional income received.
- We obtained written confirmation statements from the Director of Finance at NHS Greater Glasgow and Clyde and the Section 95 Officer at 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 Renfrewshire 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 Renfrewshire Council financial ledger. All of the journals for the IJB's transactions were reviewed in the course of our work.

| Judgements and estimates

Renfrewshire IJB provides services for other IJBs. Following our prior year audit recommendation to formally implement agreed arrangements to address operational responsibilities for hosted services, the IJB worked with its partners and other IJBs within the NHS Greater Glasgow and Clyde area to update the documentation of arrangements for hosted services within the draft Integration Schemes.

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 have not identified any audit adjustments.

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).



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 difficulties in the audit.]

| 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.

| Provisions

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).

| Remuneration report

The Board must prepare a Remuneration Report as part of the financial statements under the Accounting Code of Practice. We apply a lower level of materiality to the Remuneration Report due to the nature of the disclosures.

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 scale of financial challenges facing IJBs, including inflationary and demand 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 period following approval of the financial statements, to 31 March 2026.

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.



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.
- ▶ While we concur with management's assessment that there are no material uncertainties in relation to the going concern of the IJB, we note the increasingly challenging financial position facing both the IJB and the wider sector. The Accounts Commission reported that 5 of the 31 IJBs across Scotland have no general reserves available to meet future unexpected cost pressures. There remains significant risk around the IJB's ability to bridge the funding gap, particularly in 2025/26. Areas of overspend or failure to deliver savings would result in recovery planning and the likely requirement for additional contributions from the IJB's partners, Renfrewshire Council and NHS Greater Glasgow and Clyde.

4. Best Value and Wider Scope audit

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 2023/24.

Exhibit 4: Our RAG ratings



Red

Amber

Green

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.

Financial Management



Our overall assessment: Green

The IJB relied on the use of reserves to agree a balanced budget for 2023/24. A small overspend meant that the draw on reserves required to deliver a balanced budget was £0.6m with a further £7m drawn down in relation to specific projects funded from ear marked reserves.

The Board received comprehensive financial monitoring reports throughout the year, which include forecasts of the year end position and summaries of emerging financial risks. The IJB identified £3.4 million of savings which included vacancy management and process efficiency savings. The IJB has noted within internal reporting that the scope to deliver additional further recurring savings has increasingly been limited.

2023/24 budget

The 2023/24 budget was set in March 2023 and relied upon the use of reserves to meet the IJB's statutory responsibility to set a balanced budget.

The budget recognised that 2023/24 represented a further step change in the level of financial pressure facing the IJB. Gross pressures identified within the budget totalled £17.4 million and included:

- ▶ Demand pressures of £4.9 million.
- ▶ Further pay inflation in 2023/24 for both Council and NHS workers (£2.9 million).
- ▶ The estimated impact of contractual costs (£1.6 million).
- ▶ The ongoing increase in the cost and volume of prescriptions (totalling £3 million); and
- ▶ The recurring additional recharge for HSCP support costs of from Renfrewshire Council of £1.5 million.

The budget gap remaining after funding movements was £9.5 million, and was bridged in the budget using:

- ▶ Savings identified for 2023/24 totalling £2.5 million; alongside
- ▶ The drawdown of £7 million of the IJB's reserves.

The budget acknowledged that uncertainty, and therefore risk, remained about some of the cost pressures.

Financial Outturn

The IJB's financial outturn in 2023/24 records an overall overspend of £0.79 million (2022/23: *underspend* of £0.63 million). The year end outturn prior to transfers from earmarked reserves was an overspend in operational service delivery of £2.57 million but the IJB drew down non-recurring winter pressure funding of £1.97 million to offset the costs in 2023/24.

As in prior years, the outturn reflected a significant underspend against employee costs (£3 million) as a result of ongoing recruitment and retention difficulties across the sector and NHS restrictions on vacancy management. This was offset by:

- ▶ A substantial increase in the cost and volume of prescriptions (£2.62 million), reflecting the volatile global market and difficulty to predict or manage; and
- ▶ Demand level exceeding expectations for Care at Home (£1.3 million).

As a result of the cost pressures exceeding budget a small overspend meant that the draw on reserves required to deliver a balanced budget was £0.6m with a further £7m drawn down in relation to specific projects funded from ear marked reserves.

Budget monitoring reports addressed key areas of risk

The IJB has an established process for reporting on the progress against budget at each Board meeting. Exhibit 4 below, highlights that the reports included actual outturn to date, along with the forecasted outturn for the financial year, and therefore the impact on the Board's reserve balances.

Throughout the financial year, the IJB projected that service expenditure would be overspent against budget as a result of growing cost pressures. Specific areas of risk are reported on separately to provide Board members with up to date commentary.

The level of projected overspend fell during the year due to the use of winter pressure funding. While this protected the IJB's financial position in 2023/24, the operational overspend represents a recurring pressure for future years.

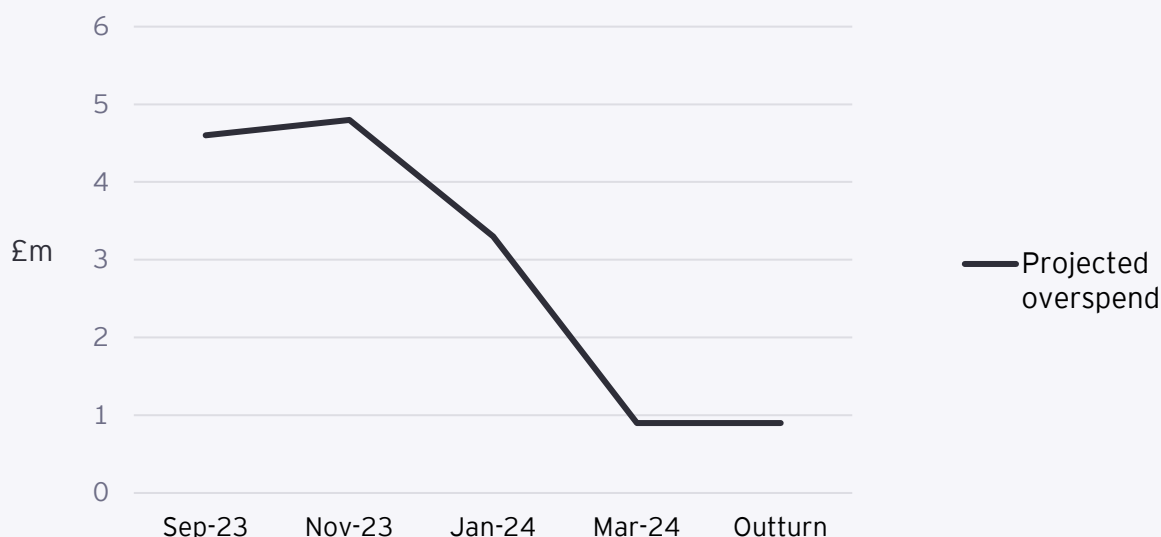
Savings of £3.4 million were identified in 2023/24

We noted in 2022/23 that a key strand of the IJB's approach to managing the challenging financial outlook was the establishment of the Sustainable Futures programme to deliver transformational reform.

The IJB identified £2.5 million savings to be delivered within the 2023/24 budget, which included vacancy management (£0.8 million) and process efficiency savings (£0.5 million). The IJB identified £3.4 million of savings, including £2.49 million for delivery in 2023/24 and £1 million for 2024/25, which included vacancy management and process efficiency.

The IJB's internal reporting has noted that the scope to deliver additional further recurring savings has increasingly been limited.

Exhibit 4: Budget monitoring to the Board highlighted a projected overspend throughout the financial year



| The IJB updated its arrangements to comply with the Financial Management Code

The CIPFA Financial Management Code came into effect for all local government bodies during 2021/22 and is intended to support good practice in financial management. The IJB's Audit Risk and Scrutiny Committee (ARSC) considered a self-assessment of its arrangements against the standard in June 2023 and identified minor areas for improvement including:

- ▶ Continuing discussions with NHS Greater Glasgow and Clyde to seek the final allocation for the financial year ahead of the budget setting meeting. The Accounts Commission note that this has historically been an area of challenge for many IJBs; and
- ▶ A review of the Scheme of Delegation to ensure that authorisation levels remain appropriate.

A report on progress to the ARSC in June 2024 noted that the IJB received the allocation from NHS Greater Glasgow and Clyde in March 2024, and it was therefore taken to the IJB's budget setting meeting in March 2024.

Challenges remain in responding to the other areas for development. The IJB has not yet completed the review of the Scheme of Delegation, although work has been completed to strengthen budget monitoring processes. The specific action in relation to outturn reporting focused on maintaining the level of the IJB's General Reserves. While this was achieved in 2023/24, the self assessment recognises that this is unrealistic in 2024/25 and beyond.

We note within our commentary on financial sustainability that it is estimated that the IJB's reserves could be fully depleted over the next two years.

| 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.

We undertook an updated assessment of the financial control environment as part of our planning work, and updated our understanding as part of the year end audit. For the IJB, this required us to assess the systems across partner organisations, including Renfrewshire Council.

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

The Board's reserve balances fell significantly in 2023/24, and estimated projections highlight that reserves could be fully depleted by March 2026. A cumulative recurring funding gap of £35 million has been identified in the period from 2024/25 to 2026/27. A current budget shortfall of £11.8 million in 2025/26 must be bridged by the identification of savings or additional contributions from funders. The cumulative recurring budget gap rises to £23 million in 2025/26. Other pressures within 2024/25 and beyond, such as the payment required to be made to Care at Home staff following a re-evaluation of their duties and subsequent increase to their grades and potential for slippage in the delivery of prescribing savings, mean that there is a risk that the Board's reserves balances will be exhausted in the short term.

The Accounts Commission recently highlighted that the current delivery and funding of IJB services is unsustainable

The Accounts Commission published its annual report on Integration Joint Boards: Finance and Performance in July 2024. They found that IJBs across Scotland face a complex landscape of unprecedented pressures, challenges and uncertainties. The health inequality gap is widening, there is an increased demand for services and a growing level of unmet and more complex needs.

The financial outlook for IJBs continues to weaken. Pressures arising from inflation, pay uplifts and Covid-19 legacy costs are making it increasingly difficult to sustain services at their current level. Real terms funding to IJBs decreased in 2022/23 and IJBs have had to achieve savings as part of their partner funding allocations for several years.

The projected funding gap for 2023/24 for IJBs almost tripled from reported figures in 2022/23 and IJBs are increasingly having to make unsustainable savings through, for example, not filling staff vacancies and using financial reserves. This is not a sustainable approach to balancing budgets.

The Commission highlight that a whole system approach is needed to meet the scale of the challenges facing IJBs. They note that uncertainty in the direction of plans for a National Care Service has contributed to the difficult context for planning and delivering effective services. A revised timescale has indicated that local reform will now start in 2028/29.

The IJB's reserves fell significantly in 2023/24, reflecting known cost pressures

Across the sector, IJB reserves almost halved in 2022/23, decreasing by £560 million. The decrease in the overall reserves balance was largely the result of a reduction in the reserves of funding that the Scottish Government specifically provided for the response to the Covid-19 pandemic.

After excluding the Covid-19 reserves (see Exhibit 5), the IJB's reserves have fallen by £7.7 million (23%) since 2021/22.

The reserves comprise of two elements. The first relates to earmarked funding where, for example, funding for specific purposes has not yet been used.

During 2023/24, the IJB drew down £10.6 million of balances held in these reserves but this was partially offset by new earmarked and ring-fenced funding totalling £3 million.

Overall, reserves therefore fell by £7.6 million in 2023/24 to £26.1 million.

The IJB has set a target for its uncommitted General Reserve of 2% of net expenditure. Throughout 2023/24, the IJB was able to protect the uncommitted reserve balance, and the closing balance was therefore maintained at £6.5 million, representing around 1.9% of net expenditure (2022/23: 2% of expenditure). The IJB anticipates that a further £7.2 million of earmarked reserve balances will be used in 2024/25.

The Financial Outlook is now worse than that anticipated in the IJB's Medium Term Financial Plan

The IJB set its Medium Term Financial Plan to 2024/25 in March 2022. The plan outlined a range of scenarios, and highlighted a potential gross budget gap within a range of £37 to £48 million for the period of the Plan, prior to any mitigating actions.

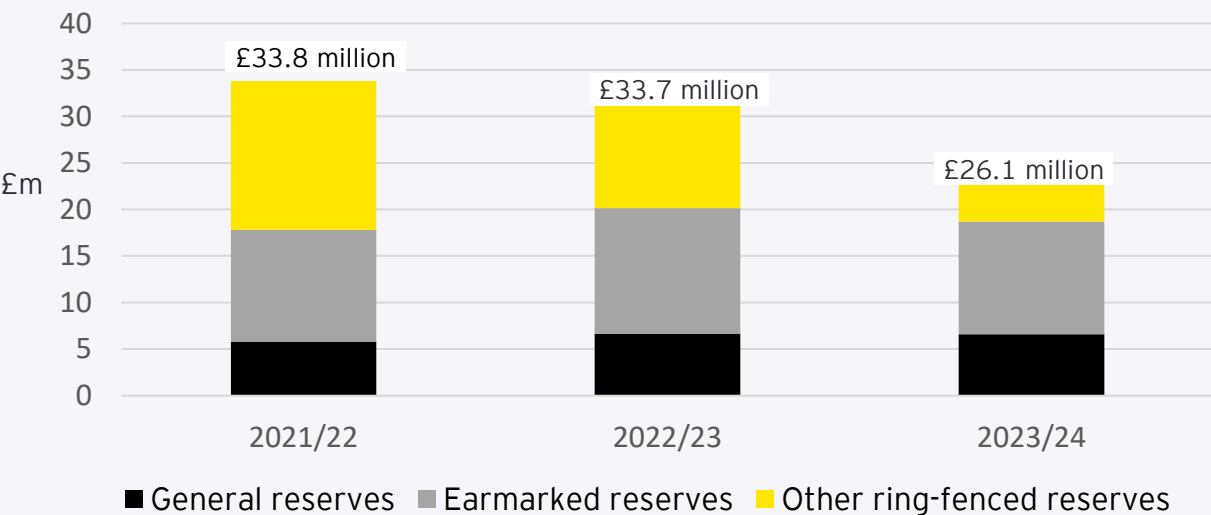
In March 2024, the Board considered an updated assessment of financial pressures to inform the 2024/25 budget. The gross cost and demand pressures identified in 2024/25 were £23.8 million, exceeding the worst case scenario set out in the Medium Term Financial Plan 2022-25 (£16.3 million).

The gross cost pressures in 2024/25 include:

- ▶ The impact of overspends in 2023/24 totalling £4.1 million;
- ▶ Living wage and the national care home contract costs of £6.6 million;
- ▶ Pay and contractual pressures of £4.6 million; and
- ▶ The costs of prescribing (inflationary pressure estimated at £4.8 million).

The budget notes that £7.9 million of pressures will be met by additional Scottish Government funding for pay uplifts and to meet the costs of the care home contract.

Exhibit 5: Reserves balances fell by £7.6 million (23%) during 2023/24 as a result of the use of earmarked reserves to offset overspends



Note: For comparability purposes, this chart excludes the Covid reserves held by the IJB in 2021/22, which totalled £17.2 million.

Following the application of the funding uplifts, the budget gap remaining for 2024/25 is £15.1 million. This will be partly bridged via savings that have been identified to be delivered in-year of £4.3 million, including NHS Greater Glasgow and Clyde's prescribing initiative (£1.1 million).

The remainder of the gap will be met using non-recurring, one off measures:

- ▶ A pensions "windfall" as a result of lower than planned employer contribution rates of £3.6 million; and
- ▶ The use of £7.2 million of reserves.

As a result, the budget pressures will add to the funding gap in future years.

| The IJB forecast that reserves will be fully depleted in 2025/26, and further risks remain for 2024/25

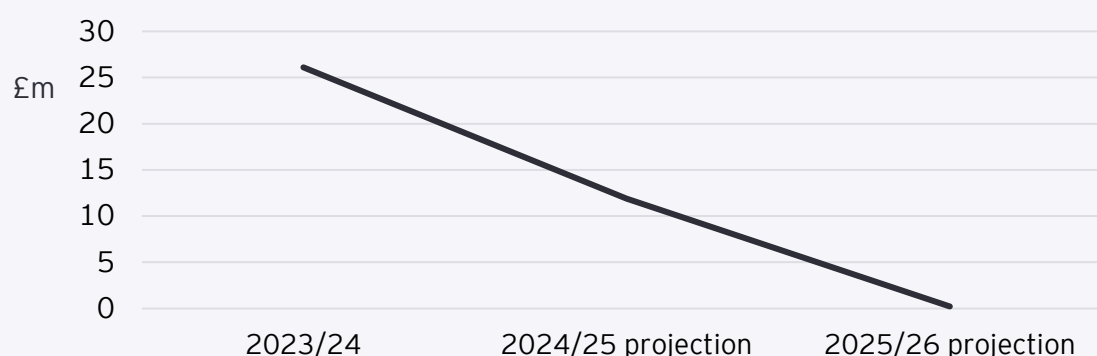
The scale of the financial volatility facing the IJB, including prescribing and pay inflation, mean that adequate general reserves are essential to manage the level of risk.

The IJB has set a target for its uncommitted General Reserve of 2% of net expenditure. The balance was largely preserved in 2023/24 (at 1.9%) as a result of the use of earmarked reserves to meet emerging pressures.

Using the current projections, Exhibit 6 highlights that the Board anticipate that General Reserves could be fully used by 31 March 2026. However, the financial plans do not yet reflect the potential payment in respect of back pay in relation to the regrading of Care at Home staff. At this stage, the full cost of the agreement cannot be calculated within the financial statements as negotiations remain ongoing with trade unions and back pay calculations will be impacted by a number of factors..

At this stage, the IJB assess that the full balance will require to be funded from the IJB's General Reserves. Other pressures within 2024/25 and beyond, such as the slippage in the delivery of prescribing savings, mean that there is a risk that the Board's reserves balances will be exhausted in the short term.

Exhibit 6: Prior to the settlement of the Care at Home regrade, the IJB anticipates that reserves could be depleted by March 2026 (other than those ring fenced reserves where balances remain for specific commitments)



| The IJB has identified a funding gap of £35 million to 2026/27

In March 2024, the Board considered an update to the Medium Term Financial Plan as part of the arrangements to set the 2024/25 budget. This identifies a funding gap of £34.98 million in the period to 2026/27.

The IJB currently plan to fund part of the 2025/26 gap on a non-recurring basis, using the one off pension contribution and by drawing down reserves. This is insufficient to bridge the gap, and a funding gap of £11.8 million will remain in 2025/26, growing to £35 million in 2026/27. As a result there is now a critical need to identify recurring savings or reductions in services to remain financially sustainable.

The IJB previously established a Sustainable Futures programme to ensure that the resources available to the health and social care partnership are used effectively to deliver the Strategic Plan 2022-25, and to take steps towards financial sustainability. In addition to the £3.4m savings approved in March 2023 for delivery in 2023/24 and 2024/25, the IJB has approved a further £2.8m in savings for delivery in 2024/25 and beyond.

The IJB has noted that the scope to deliver additional further recurring savings has increasingly been limited. However, the impact of any overspends, and the settlement of the Care at Home staff regrade mean that financial recovery planning is likely to be required in 2025/26. This would result in reactive, unplanned restrictions on spend.

As a result, further development sessions have been held with the Board to identify a fair and equitable approach to identifying future savings options. At this stage, we understand that in September 2024, the Board will be asked to approve an equal application of savings to each of the influenceable budget categories, including those that are demand led, such as prescribing.

At this stage, there are insufficient savings identified to secure the IJB's financial sustainability. At this stage, no agreement has been reached with the IJB's partners, Renfrewshire Council and NHS Greater Glasgow and Clyde on the possibility of additional funding contributions.

| Recommendation 1: There is an urgent need to develop a sustainable financial plan in advance of the 2025/26 budget process.

Vision, Leadership and Governance



Our overall assessment: Green

Governance arrangements functioned in line with expectations throughout 2023/24. There were no weaknesses in governance or internal control that were required to be reported within the Annual Governance Statement. The Audit, Risk and Scrutiny Committee considered their arrangements against updated good practice guidance in 2023/24.

During the year the Board faced a number of significant challenges as savings options identified through the Sustainable Futures programme were subject to consultation with the public, and in some cases brought to judicial review. In order to deliver a balanced budget in 2025/26, the Board and its partners need to reach a consensus on how to make challenging decisions on service priorities.

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. The Board concluded that they have obtained assurance that the system of internal control was operating effectively during the year.

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 2024.

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.

We have attended each of the Audit and Risk Scrutiny Committees during the year and we were satisfied that there was an appropriate level of challenge and scrutiny at meetings, and that management's assessment of compliance is consistent with matters arising at the committee.

The Audit and Risk Scrutiny Committee considered its own effectiveness during the year

In October 2022, CIPFA updated its guidance on good practice for local authority audit committees. At Renfrewshire IJB, the role of the audit committee is fulfilled by the Audit, Risk and Scrutiny Committee.

The Committee considered its own arrangements against the guidance in January 2024, following the outcomes of a development session in October 2023. The self-assessment identified a number of areas for improvement, including:

- The preparation of an annual report from the Committee to provide assurance to the IJB on how it has fulfilled its terms of reference and the key issues escalated in the year;
- The development of a training needs analysis for committee members; and
- Arrangements to escalate issues and concern promptly to the Board.

A draft Action Plan was submitted for consideration by the Committee in November 2023. Whilst the majority of actions were progressed and concluded in-year, the development of an Annual Report relative to the work of the Committee is scheduled to commence in 2024/25

scheduled to commence in 2024/25 onwards, spanning full financial years to align with the wider reporting arrangements in place through internal and external audit functions.

Chief Internal Auditor identified a series of member briefings to be held in response to the training needs analysis, including:

- ▶ Governance arrangements and the value of good governance;
- ▶ Internal Audit; and
- ▶ Counter Fraud arrangements.

| The Chief Internal Auditor identified no unsatisfactory or limited assurance opinions in IJB reviews during 2023/24

Internal Audit's Annual Report was presented to the Audit, Risk and Scrutiny Committee in June 2024. The report noted that the two reviews planned for 2023/24 were complete.

In 2023/24 there were no unsatisfactory audit opinions issued in relation to the IJB and as a result, the Chief Internal Auditor concluded that "a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Integration Joint Board's internal control, risk management and governance arrangements."

The annual report also summarises the outcome of reviews at partner bodies. The summary highlighted a range of matters where there may be an impact on the work of the IJB or Health and Social Care Partnership including limited assurance reviews in Renfrewshire Council relating to

- ▶ Disaster Recovery;
- ▶ Health and Safety; and
- ▶ Corporate Purchase Cards.

NHS Greater Glasgow and Clyde's internal auditors highlighted a high risk review relating to the implementation of the Moving Forward Together implementation plan. In addition, they concluded that substantial improvements were required in relation to three reviews:

- ▶ The use of agency staff, where the use of agency staff could not be explained by increased vacancy levels;
- ▶ Public Protection Arrangements; and
- ▶ Consultant Job Planning.

Overall, the internal audit opinions for both partner bodies provided reasonable assurance on the adequacy and effectiveness of governance arrangements in place for 2023/24.

| The IJB has found it difficult to build the consensus needed to make decisions on savings

The IJB is established to balance the membership of partner bodies. Each Board member is required to set aside the interests of their own organisation to perform their role effectively on the IJB. The IJB's Annual Governance Statement recognises that there is an inherent conflict of interest between a Board member's responsibilities to the IJB and other responsibilities that they may have.

During 2023/24, the Board faced a number of significant challenges as savings options identified through the Sustainable Futures programme were subject to consultation with the public, and in some cases brought to judicial review.

The Board requested officers to develop options appraisals and impact assessments to support proposals to mitigate the financial gap. In a number of cases, the Board has subsequently been unable to

build the consensus needed to make unpalatable decisions about the reduction of services. The scale of challenge facing the IJB is now stark. The 2024/25 budget continues to rely on the use of non-recurring measures. This increases the likelihood of reactive cuts, or the IJB being required to seek unplanned and unaffordable support from Partner bodies, future years.

In order to deliver a balanced budget in 2025/26, challenging decisions on service priorities will be required in the next six months. The membership of the IJB will rotate in 2024/25 and there is not yet a consensus about where savings will be achieved. The scale of savings required over a short period of time, along with the degree of risk and uncertainty of costs outside the IJB's control means that we consider this to reflect a governance risk. It will be increasingly difficult to agree a balanced budget without impacting the financial planning of partner bodies.

| Refer to recommendation 1.

| Use of resources



Our overall assessment: Green

The IJB has a well-developed approach in place to monitor and report on progress against strategic priorities and was able to demonstrate key achievements in 2023/24.

The IJB continues to highlight significant and ongoing financial risks within its risk registers that may undermine the delivery of the Strategic Plan.

| The IJB regularly reports on its performance

A comprehensive Performance Framework is in place to scrutinise performance both operationally by the Strategic Planning Group, and at Board on a 6-monthly basis.

A Performance Scorecard, is in place to report on performance against the five key themes within the Strategic Plan 2022-25.

- ▶ Healthier futures
- ▶ Connected futures
- ▶ Enabled futures
- ▶ Empowered futures; and
- ▶ Sustainable futures.

The Scorecard includes a range of local and national Key Performance Indicators (KPIs).

We also note that the Audit and Risk Scrutiny Committee also consider regular reporting from individual service areas at including Health and Safety and Quality, Care and Professional Governance updates. The Committee also consider the results of Care Inspectorate activity and reports from the Mental Welfare Commission. The reports included details of any action plans to respond to areas for improvement.

The committee also receive regular reports on the IJB's risk management arrangements.

| The Annual Performance Report highlights key areas of progress and challenges

The IJB considered its Annual Performance Report in July 2024, in line with statutory requirements. The report is published on the Board's website.

The report notes that a full review has been completed of all performance indicators and as a result, it is not possible to make direct comparisons between performance in 2022/23 and 2023/24. However, key areas of strength reflect historic areas of strong performance including confirmation that Renfrewshire has maintained its position as the highest performing area in Scotland for standard delayed discharges.

The total number of bed days lost was 2,032, which equates to a rate of 1,348.3 per 100,000 population. The national average rate for the same period was 7,583.

Other key achievements in 2023/24 include:

- ▶ The Anticipatory Care Plan staff training programme resulted in 423 new plans recorded in 2023/24 against a target of 221.
- ▶ The waiting times for patients referred to their first appointment with the Primary Care Mental Health Team within 4 weeks improved from 41.6% in March 2023 to 90% at March 24; and

- The Early Years Healthier Wealthier Children pathway has been implemented to increase referrals for families and child poverty priority groups with highest levels of child poverty. There were 302 referrals in 2023/24, with 175 clients engaging with the service and £323,255.31 financial gains during this period.

The IJB is on track to deliver 82% of the actions planned within the Strategic Delivery Plan

Exhibit 7 highlights that the 2023/24 Annual Performance Report notes that 82% of the Year 2 Strategic Plan deliverables are on target or complete. Three of the deliverables are assessed as “red” and have been delayed due to factors outside the IJB’s control.

Areas that are behind schedule include:

- The development of a Dementia Action Plan in line with the National Strategy;
- The development of a Governance and Resourcing Plan to respond to National Care Service proposals will be updated alongside national timescales; and

- The review of care pathways, being actioned as part of the Sustainable Futures programme.

Alongside the Strategic Plan, the IJB monitors progress against Renfrewshire’s Performance Scorecard. The Scorecard considers performance against national, NHS Board and local key performance indicators, and the National Core Integration Indicator.

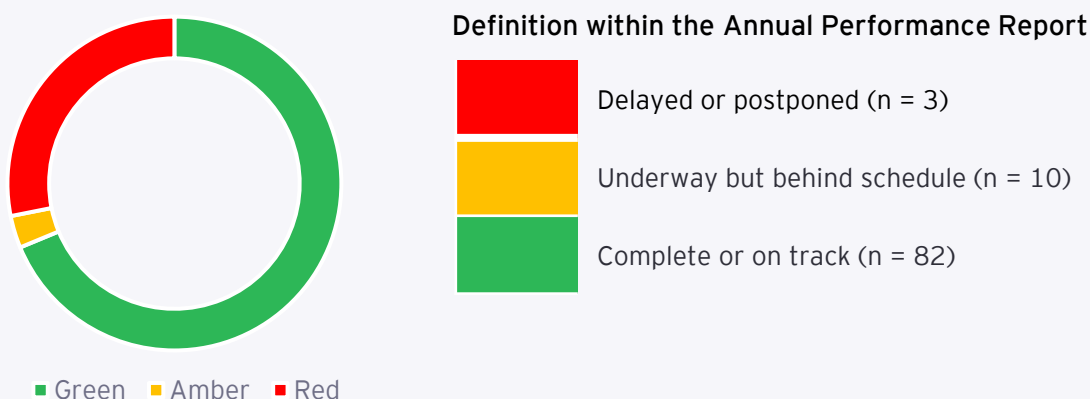
The Performance Scorecard highlights 7 red indicators where performance is more than 10% from target.

These include:

- A&E wait times of less than 4 hours (71.6% against a target of 95%)
- Sickness absence rates for social work staff (19.51 days against a target of 15.3 days);
- Sickness absence rates for NHS staff (5.62% against a target of 4%); and
- The number of emergency admissions from care homes (549 against a target of 450).

Overall, performance was on track for 13 (46%) of the 28 Performance Scorecard indicators.

Exhibit 7: The IJB is on track to deliver 82% of actions in the Strategic Plan



| The Accounts Commission highlight that data quality and availability is insufficient to assess the overall performance of IJBs

The Accounts Commission's July 2024 report (Integration Joint Boards: Finance and Performance) notes that there are gaps in the completeness of national performance information, including the national integration indicators that the IJB report within its Annual Performance Report.

The report notes that there are a range of challenges around the data that is currently collected, including:

- ▶ The current data does not provide good evidence on how the performance of one part of the system impacts on either other parts of the social care system or the system as a whole. This means the current performance data is of limited use in helping to inform system changes which might improve performance and deliver better long-term outcomes.
- ▶ There is too much emphasis on data that is used by individual organisations for their governance and operational purposes rather than the collective partnership focus on its priorities; and
- ▶ Current arrangements do not reflect a 'whole-systems' approach to performance management and reporting.

| The IJB continue to highlight significant and ongoing financial risks within its risk registers

The Audit and Risk Committee receives a quarterly update on the key strategic risks facing the Board. Two risks are scored as at the highest rating available, "extreme" relating to:

Issues attracting and retaining staff; and
The IJB budgetary position.

A further five risks are assessed as "high" including three areas directly relating to the financial position:

- ▶ Changing financial and demographic pressures;
- ▶ Financial challenges causing financial instability for the IJB; and
- ▶ Potential impacts of financial recovery.

Best Value

The IJB's performance management and financial reporting arrangements allow the Board to demonstrate the delivery of Best Value. The Annual Performance Report describes the key achievements and areas for improvement against the priorities within the Strategic Plan.

However, the financial outlook for the IJB has continued to weaken. The Board's reserves have fallen below optimum levels, and service demands exceed assumptions in relation to funding. Inflationary pressures and pay uplifts make it increasingly difficult to sustain services at the current level. While the IJB has faced very challenging decisions during the year, it has not been able to find the consensus needed to implement sufficient savings to bridge budget gaps in 2024/25 and beyond. The IJB and its partners therefore face very difficult decisions ahead to secure a sustainable future.

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 2023/24 therefore reflects the work conducted to support our wider scope responsibilities, and specifically:

- ▶ Documentation review and fieldwork interviews with senior officers;
- ▶ Updating our understanding of key sector developments and reporting;
- ▶ Our consideration of the IJB's financial planning processes including the most recent Medium Term Financial Plan and budget monitoring reports;
- ▶ Governance arrangements, including monitoring and scrutiny reports and the Board's review of the effectiveness of committee arrangements;
- ▶ Our assessment of performance reporting to the Board; and

- ▶ The IJB's reporting against key strategic themes and priorities within the Annual Performance Report 2023/24.

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

The IJB continues to implement the Strategic Plan in an increasingly challenging financial environment. Key strategies to support the delivery of the IJB's objectives are due to be updated in 2025, including the Medium Term Financial Plan.

The Board has established a reform programme, Sustainable Futures, to deliver savings and work towards financial balance. While savings have been identified, the process to agree savings has been very challenging for members. Like all IJB's, the Board's financial position has become increasingly challenging in 2023/24. However, at this stage, the IJB does not have agreed savings plans that would bridge the significant budget gap for 2024/25. Current projections are that all reserves could be exhausted in 2025/26 and there is not therefore a plan for financial sustainability in the short to medium term.

| Appendices

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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 plan 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.

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 Renfrewshire Integration Joint Board. We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.



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
Terms of engagement	Confirmation by the Audit, Risk and Scrutiny 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.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan - March 2024
Reporting and audit approach	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 2024
Significant findings from the audit	<ul style="list-style-type: none">▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.▶ Significant difficulties, if any, encountered during the audit.▶ Significant matters, if any, arising from the audit that were discussed with management.▶ Written representations that we are seeking.▶ Expected modifications to the audit report.▶ Other matters if any, significant to the oversight of the financial reporting process.▶ Findings and issues regarding the opening balance on initial audits.	This Annual Audit Report - September 2024.

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Required communications (cont.)

Our reporting to you

Required communications	What is reported?	When and where
Going concern	<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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	This Annual Audit Report - September 2024.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation. ▶ The effect of uncorrected misstatements related to prior periods. ▶ A request that any uncorrected misstatement be corrected. ▶ Corrected misstatements that are significant. ▶ Material misstatements corrected by management. 	This Annual Audit Report - September 2024.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist. ▶ A discussion of any other matters related to fraud. 	This Annual Audit Report - September 2024.
Internal controls	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report - September 2024.

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Required communications (cont.)

Our reporting to you

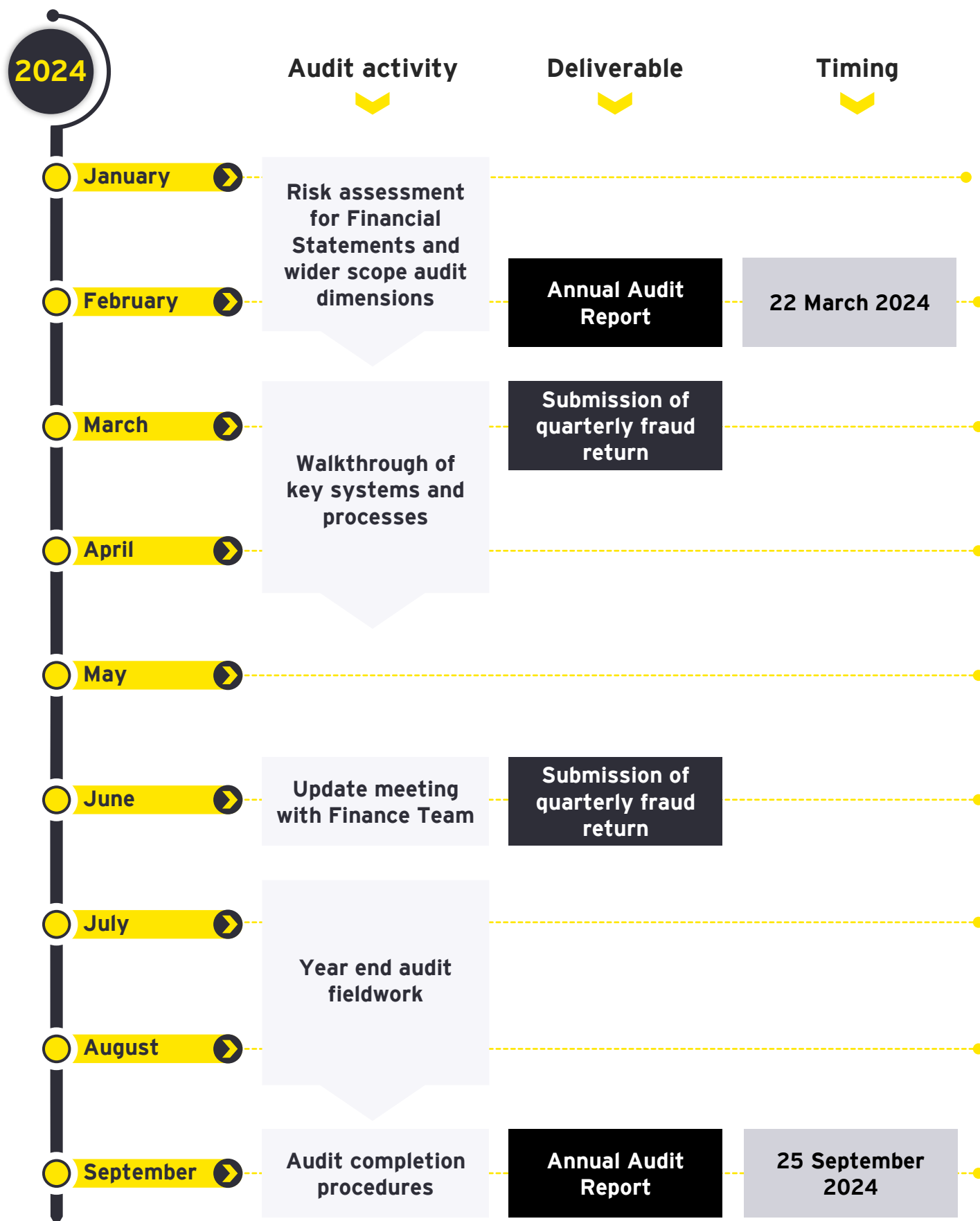
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	This Annual Audit Report - September 2024.
Independence	<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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Annual Audit Plan and This Annual Audit Report - September 2024.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	This Annual Audit Report - September 2024.
Representations	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report - September 2024.

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Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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. ▶ Enquiry of the Audit, Risk and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Risk and Scrutiny Committee may be aware of. 	This Annual Audit Report - September 2024.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report - September 2024.
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report - September 2024.
Best value and wider scope judgements and conclusions	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 - September 2024.
Key audit matters	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 - September 2024.

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>Financial sustainability</p> <p>In March 2024, the Board considered an update to the Medium Term Financial Plan as part of the arrangements to set the 2024/25 budget. This identifies a funding gap of £34.98 million in the period to 2026/27.</p> <p>The IJB currently plan to fund part of the 2025/26 gap on a non-recurring basis, using the one off pension contribution and by drawing down all remaining reserves. This is insufficient to bridge the gap, and a funding gap of £11.8 million will remain in 2025/26, growing to £35 million in 2026/27. As a result there is now a critical need to identify recurring savings or reductions in services to remain financially sustainable.</p>	<p>There is an urgent need to develop a sustainable financial plan in advance of the 2025/26 budget process</p> <p>Grade 1</p>	<p>Response:</p> <p>HSCP Officers will continue to support the IJB to address financial challenges through progression of the next phase of Sustainable Futures programme. Updates on the programme are considered at each IJB meeting. Additional savings proposals will be prepared to be considered by the IJB in March 2025, alongside (i) a draft budget for 2025/26 and (ii) an updated Medium-Term Financial Plan.</p> <p>A proposal on the approach for the next phase of savings development, including supporting engagement, is scheduled to be considered by the IJB in September 2024. These proposals are underpinned by a detailed activity engagement plan.</p> <p>Responsible officer: Chief Officer and SMT</p> <p>Implementation date: 31/3/25</p>

F

Adjusted and unadjusted differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements. We identified minor differences to the Remuneration Report which were adjusted by management on the basis that these disclosures are audited to a lower level of materiality than other areas of the accounts.

There were no unadjusted differences.

G Audit Fees

2023/24 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.

	2023/24	2022/23
Component of fee:		
▶ Auditor remuneration - expected fee	£35,420	£33,960
Audit Scotland fixed charges:		
▶ Performance audit and best value	£7,560	£6,460
▶ Audit support costs	£1,290	£1,290
Sectoral price cap	(£10,910)	(£10,240)
Total fee	£33,360	£31,470

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.

H

Follow up of prior year recommendations

No.	Findings and recommendation	Management response	Our assessment of progress
1.	<p>Hosted Services</p> <p>Renfrewshire IJB hosts a small number of services on behalf of other IJBs within the NHS Greater Glasgow and Clyde area. The current process for reporting on hosted services is based on out of date arrangements and the Chief Finance Officer will therefore work with partners to agree a revised process for 2023/24 onwards.</p> <p>The Board should agree an updated approach to report on hosted services activity. This should include the IJB's audit trail requirements to support the disclosure in the financial statements.</p> <p style="text-align: right;">Grade 2</p>	<p>Response:</p> <p>The CFO will work with the other five CFOs across Greater Glasgow and Clyde to develop a revised process for reporting on hosted services activity.</p> <p>Responsible officer:</p> <p>Chief Finance Officer</p> <p>Implementation date:</p> <p>31 March 2024</p>	<p>Complete: As we note on page 14, the IJB worked with its partners and other IJBs within the NHS Greater Glasgow and Clyde area to update the documentation of arrangements for hosted services within the draft Integration Scheme. Changes have been agreed to describe the requirement to account for the activity and associated costs for all hosted services across their population using an appropriate methodology agreed by all partner Integration Joint Boards.</p> <p>A paper was taken to the Chief Officers group of the six IJBs to confirm the revised operational and strategic arrangements in place.</p>

Follow up of prior year recommendations continued

No.	Findings and recommendation	Management response	Our assessment of progress
2.	<p>Medium Term Financial Plan</p> <p>While the Board has established the Sustainable Futures programme to support the delivery of the MTFP, we note that further efficiency savings are likely to be required. The MTFP is not yet supported by a balanced financial plan and the IJB's General Reserves are at risk of being exhausted in the short term. There is therefore a need to work with partners and the Scottish Government to develop a clear understanding of the impact of the current funding position for sustainability of our services.</p> <p>The IJB should work with partners to ensure that medium term financial plan is realistic and sustainable via the achievement of savings, or support from additional funding.</p> <p style="text-align: right;">Grade 1</p>	<p>Response: The planned increase of 4% per year in real terms for health and social care over the next four years - as proposed in the Scottish Government's Medium Term Financial Strategy - is a much-needed improvement on the previously planned 0.6% over four years in 2022, and the general trend of growth in health spending in Scotland is welcomed. Nonetheless, the spiralling cost of resourcing and delivering health and social care services whilst simultaneously supporting Covid-19 recovery, and planning for fundamental and systemic change in the structure of social care delivery in Scotland, presents ongoing financial challenges which a real terms rise of 4% per year may not be sufficient to address. As such, and alongside delivery of the MTFP supported by the Sustainable Futures programme, Renfrewshire IJB will continue to actively engage with partners and the Scottish Government to ensure there is a shared understanding of the pressures on our financial sustainability and to petition for the maximum level of funding possible to continue to support safe and effective service delivery.</p> <p>Responsible Officer: Chief Officer & Chief Finance Officer.</p> <p>Implementation date: Ongoing</p>	<p>Ongoing: Like others in the sector, the IJB's financial position has worsened during 2023/24. Funding from partners is not expected to keep pace with cost and demand pressures over the period to 2026/27 and beyond and the IJB's reserves are expected to be used in full.</p> <p>Recommendation 1 highlights the urgent need to develop a sustainable financial plan.</p>

Follow up of prior year recommendations continued

No.	Findings and recommendation	Management response	Our assessment of progress
3.	<p>Audit, Risk and Scrutiny Committee</p> <p>In October 2022, CIPFA updated its guidance on good practice for local authority audit committees. The Audit, Risk and Scrutiny Committee has not yet considered it's arrangements against the guidance. The Audit, Risk and Scrutiny Committee should conduct a self-assessment against updated good practice guidance for local government audit committees.</p> <p style="text-align: right;">Grade 3</p>	<p>Response: The CIA was aware of, and considered, the guidance at a high level and are of the opinion that IJB Audit, Risk and Scrutiny Committee broadly complies with the new guidance. However, the CIA also recognises that there are some gaps, and some areas that needed to be explored further through a self-assessment involving the members of the Committee, the CIA plans to facilitate this self-assessment. As such, it was appropriate to continue to make reference to the CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities for the 22/23 governance statement. The CIA will be submitting a report to the September Committee which will advise members of the revised guidance and seek their approval of a date for a development session to undertake this self-assessment. Subject to member approval of a suitable date, the CIA would hope to have the self-assessment completed by the end of this calendar year, with an action plan being reported to the Committee thereafter.</p> <p>Responsible officer: Chief Internal Auditor</p> <p>Implementation date: 31 March 2024</p>	<p>Complete: The self-assessment was completed and reported in March 2024.</p>

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 Audit, Risk and Scrutiny 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.

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: [Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland](#)
- ▶ 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

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 Renfrewshire Integration Joint Board for financial years 2023/24 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. 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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