

Renfrewshire Integration Joint Board

2017/18 Annual Audit Report



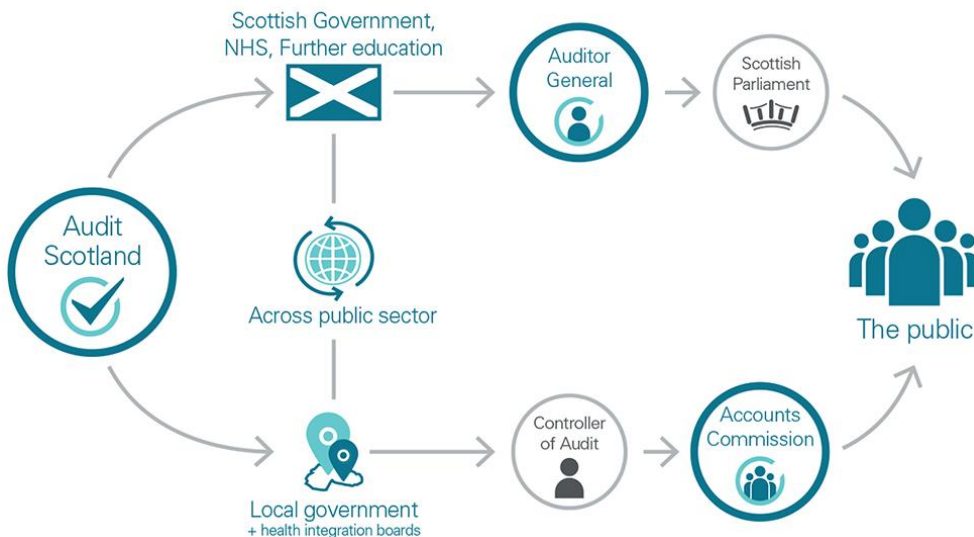
 AUDIT SCOTLAND

Prepared for the members of Renfrewshire Integration Joint Board and the Controller of Audit
14 September 2018

Who we are

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

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



About us

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

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

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

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Key messages

2017/18 annual report and accounts

- 1** In our opinion Renfrewshire Integration Joint Board's (RIJB) financial statements give a true and fair view and were properly prepared.
- 2** The management commentary, remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.
- 3** RIJB should ensure that measures are put in place to strengthen year end procedures to avoid issues arising in the submission of financial data to partner organisations.

Financial management and sustainability

- 4** RIJB incurred a deficit of £2.052 million. RIJB did not implement a deficit recovery plan as required by the integration scheme. As additional recurring funding was made available from Renfrewshire Council, RIJB believe this was not required.
- 5** RIJB should continue to review how financial information is reported to continue to improve clarity in relation to variances in planned expenditure, how reserves and additional funding are being used and how it reports its financial position.
- 6** RIJB should consider updating its reserves policy to set out a minimum and maximum reserves level.

Governance, transparency and value for money

- 7** RIJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board and conducts its business in an open and transparent manner.
- 8** The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. Until RIJB implements these changes there is a risk that they are in breach of the GDPR requirements.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Renfrewshire Integration Joint Board, hereby referred to as the RIJB.

2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit Committee meeting on 26 January 2018. This report comprises the findings from:

- an audit of the RIJB's annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2017/18 have been:

- an interim audit of Renfrewshire Council's main financial systems which are used by the IJB
- an audit of RIJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
- consideration of the four audit dimensions.

4. RIJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

5. RIJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of RIJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
9. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist.
10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to RIJB by providing insight on financial sustainability, risk and performance, and by identifying areas of improvement and recommending good practice. In so doing, we aim to help RIJB promote improved standards of governance, financial planning, decision making and effective use of resources.
13. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts



Main judgements

In our opinion RIJB's financial statements give a true and fair view and were properly prepared.

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

RIJB should ensure that measures are put in place to strengthen year end procedures to avoid issues arising in the submission of financial data to partner organisations.

Audit opinions on the annual accounts

15. The annual accounts for the year ended 31 March 2018 were approved by the board on 14 September 2018. We reported within our independent auditor's report that in our opinion:

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

16. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual accounts for audit

17. We received the unaudited annual accounts on 29 June 2018 in line with our agreed audit timetable.

18. RIJB submitted the information required for consolidation purposes to NHS Greater Glasgow and Clyde (NHSGGC) within the agreed timetable. However, during the audit of NHSGGC the external auditors noted that the figures included by RIJB did not correctly reflect RIJB's year end position in the NHS consolidation schedules.

19. Due to the timing and value of the error identified, NHSGGC decided not to adjust for this in the financial statements which has resulted in an unadjusted item, albeit one which is not material in the context of NHSGGC.

20. RIJB are also required to submit financial information to Renfrewshire Council to allow the unaudited Council Group Accounts to be completed and submitted for audit. RIJB initially provided incorrect financial information which will require to be amended as part of the Renfrewshire Council audit.

The annual accounts are the principal means of accounting for the stewardship of the board's resources and its performance in the use of those resources.

21. Once the error was identified a revised finance report and amended RIJB unaudited accounts were tabled for approval on the morning of the board meeting to reflect the deficit position of £2.052 million.

22. RIJB should ensure that measures are put in place to strengthen year end procedures to avoid issues arising in the submission of financial data to partner organisations. [Action Plan \(Appendix 1, Recommendation 1\)](#).

23. The working papers provided with the unaudited annual accounts were of a satisfactory standard and finance staff provided support to the audit team which helped ensure the audit process ran smoothly.

Risks of material misstatement

24. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process, wider dimension risks, how we addressed these and our conclusions. These risks had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team.

Materiality

25. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

26. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2018.	£2.668 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of overall materiality.	£1.601 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£0.133 million

Source: Audit Scotland, 2017/18 Annual Audit Plan

How we evaluate misstatements

27. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit in accordance with ISA 260



28. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

29. The findings include our views about significant qualitative aspects of the board's accounting practices including:

- | | |
|---|---|
| <ul style="list-style-type: none"> Accounting policies | <ul style="list-style-type: none"> Accounting estimates and judgements |
| <ul style="list-style-type: none"> Significant financial statements disclosures | <ul style="list-style-type: none"> Timing of transactions and the period in which they are recorded |
| <ul style="list-style-type: none"> The impact on the financial statements of any uncertainties | <ul style="list-style-type: none"> The effect of any unusual transactions on the financial statements |
| <ul style="list-style-type: none"> Misstatements in the annual report and accounts | <ul style="list-style-type: none"> Disagreement over any accounting treatment or financial statements disclosure |

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. 2018/19 Health Budget</p> <p>The RIJB integration scheme sets out that budgets must be agreed between RIJB and partner bodies. The 2018/19 health services budget was not approved by RIJB until 27 April 2018, one month after the start of the financial year. At the meeting on 23 March 2018, when the budget was initially tabled it was agreed that the budget proposals set out in the report be not approved and that consideration of the budget proposals be continued and that the Chief Officer submit a report to the IJB following further consideration of the budget proposal.</p>	<p>RIJB should ensure that all necessary steps are taken to allow the board to approve the health budget in a timely manner in 2019/20.</p> <p> B/f Recommendation 2 (refer appendix 1, action plan)</p>
<p>2. Hospital Acute Services (Set Aside)</p> <p>A notional figure for the sum 'set aside' for hospital acute services under the control of RIJB has been agreed with NHSGGC and included in the 2017/18 annual report and accounts of both bodies. This is based on the 2014/15 activities and the levels have been up-rated to reflect the 2017/18 position. The set aside sum recorded in the 2017/18 annual report and accounts does not reflect actual hospital use.</p>	<p>This was expected to be a transitional arrangement for 2016/17, however an extension was agreed by the Scottish Government. NHSGGC and RIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2018/19.</p> <p> B/f Recommendation 3 (refer appendix 1, action plan)</p>
<p>3. Change in Accounting Treatment for Hosted Services</p> <p>RIJB hosts podiatry and primary care support services on behalf of other IJBs linked to NHSGGC.</p>	<p>Hosted services have been accounted for as a principal arrangement in 2017/18 financial statements. The 2016/17 comparative figures in the annual accounts have been restated to reflect the revised accounting arrangements. This has</p>

Issue	Resolution
<p>Previously RIJB assessed this as an agency relationship, meaning that any surplus or deficit on provision of the services should be passed to the service user (i.e. the other IJB). RIJB reassessed this for 2017/18, and judged themselves to be acting as the principal, meaning that they retain any surplus or deficit on provision of these services. Other IJBs host services on behalf of RIJB have also adopted this change in accounting treatment for 2017/18.</p> <p>As this is a material change in accounting treatment, RIJB has processed a prior year restatement through their accounts to reflect hosted services as though RIJB was the principal in 2016/17.</p>	<p>resulted in a decrease in the prior year net expenditure in the Comprehensive Income and Expenditure Statement of £1.903 million, and a corresponding decrease in the taxation and non-specific grant income. As RIJB did not pass the surplus on hosted services in 2016/17 back to partner IJBs, there is no change in the net surplus.</p> <p>A disclosure note has been added to the financial statements explaining this change in treatment between financial years.</p> <p>We have reviewed management's accounting treatment of hosted services, including the additional narrative disclosures, as part of our 2017/18 financial statements audit work and have concluded that it is in accordance with accounting requirements.</p>

Management Commentary

30. Part of our audit work involves assessing whether the management commentary is consistent with the financial statements. We noted a number of areas that required to be amended, which were updated by management.

Follow up of prior year recommendations

31. We have followed up actions previously reported and assessed progress with implementation, these are reported in Appendix 1 and identified by the prefix b/f (brought forward).

32. In total, five agreed actions were raised in 2016/17. Of these:

- two were fully implemented
- two have been partially actioned
- one has not been actioned.

33. For those actions not yet implemented, revised responses and timescales have been agreed with management in Appendix 1.

Part 2

Financial management and sustainability



Main judgements

RIJB incurred a deficit of £2.052 million. RIJB did not implement a deficit recovery plan as required by the integration scheme. As additional recurring funding was made available from Renfrewshire Council, RIJB believe this was not required.



RIJB should continue to review how financial information is reported to continue to improve clarity in relation to variances in planned expenditure, how reserves and additional funding are being used and how it reports its financial position.

RIJB should consider updating its reserves policy to set out a minimum and maximum reserves level.

Financial management

34. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Finance Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

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

Agreement of health budget

35. As highlighted in part 1 of this report, a number of issues relating to the budget setting process were noted in our significant findings section ([Exhibit 3 \(page 10\)](#)):

- the health budget savings plan for 2017/18 was not agreed until September 2017, six months after the start of the financial year. [Action Plan \(Appendix 1, b/f Recommendation 2\)](#)
- the 2018/19 health budget was not agreed until 27 April 2018, as outlined below.

36. On 23 March 2018 the CFO submitted the 2018/19 Delegated Health and Social Care Budget report in relation to the financial allocation and budgets made

available to the IJB for 2018/19 by Renfrewshire Council and NHSGGC respectively. At this meeting it was agreed that the:

- delegated adult social care budget for 2018/19 should be accepted
- delegated health budget should not be approved and that a Special Meeting of the IJB would be held to further consider these budget proposals and the delegated health budget for 2018/19
- use of reserves from the health budget to fund the impact of delays in the implementation of the required savings for the health delegated budget in 2018/19 be approved.

37. Due to the resultant delays in the implementation of the final savings required to deliver a balanced budget, and on the advice of the Chief Finance Officer, the Chief Officer implemented a financial recovery plan from the 1 April 2018 to manage the budget shortfall.

38. On 27 April 2018 a special meeting of the IJB was held to further consider the indicative delegated health budget for 2018/19 and the revised budget proposals were approved.

39. The board should put in place procedures to ensure that future budgets/savings plans are fully agreed in advance of the financial year end. [Action Plan \(Appendix 1, b/f Recommendation 2\)](#).

Financial reports

40. The financial reports presented to the board during 2017/18 include the current financial position against budget, a detailed breakdown of spend against budget and details of the use of reserves. The themes covered are appropriate and should be sufficient to provide RIJB members with an understanding and an overview of the key financial pressures facing RIJB. However, the presentation of the information within the reports could be enhanced to improve the overall clarity of the financial position throughout the year.

41. All financial reports relating to 2017/18 reported that RIJB was in a “breakeven” position. This was also reflected in the detailed spend against budget reporting (i.e. actual net expenditure equalled budgeted net expenditure).

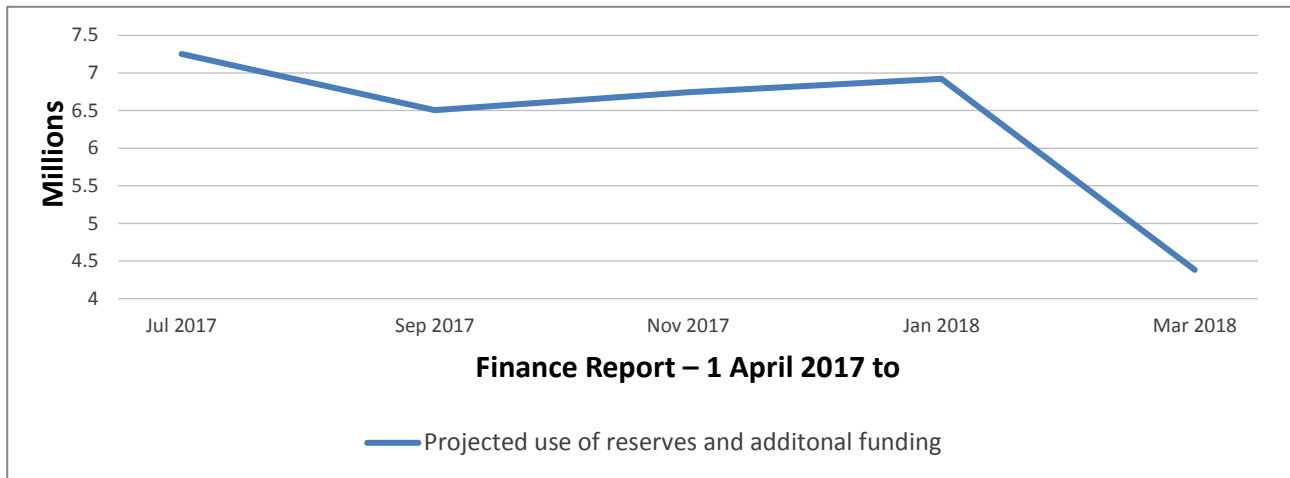
42. The narrative within the financial reports note that the “breakeven” position is contingent on:

- the use of RIJB reserves and;
- the partial use of a £4.4 million additional recurring funding facility made available by Renfrewshire Council (RIJB used £2.749 million of this facility which has been added to recurring base budget for future years).

43. Exhibit 4 shows that RIJB’s projected use of reserves and additional funding varied by £2.4 million in 2017/18 during this period.

Exhibit 4

Variance in the projected use of RIJB reserves and additional funding



44. The use of reserves was noted in the original budget and in the narrative of subsequent reports. This has allowed RIJB to achieve what is effectively a planned overspend rather than achieving a “breakeven” position.

45. RIJB should review how financial information is reported to continue to improve clarity in relation to variances in planned expenditure, how reserves and additional funding are being used and how it reports its financial position. [Action Plan \(Appendix 1, b/f Recommendation 4\)](#).

Systems of internal control

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

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

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

Financial performance in 2017/18

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

50. The integration scheme sets out the arrangements between RIJB and the partner bodies regarding over/underspends. The scheme states that where

planned underspends occur, these can be retained by RIJB in line with its reserves policy. Where an overspend is projected, the scheme states that a recovery plan should be place. If this is not successful, IJB reserves are to be used, with additional funding from partner bodies being the last resort.

51. RIJB used a significant portion of general reserves and received additional recurring funding from Renfrewshire Council in response to identified pressures on the adult social care budget. The integration scheme makes it clear that a financial recovery plan should be agreed by the board before these steps are taken. As additional recurring funding was made available from Renfrewshire Council, RIJB believe this was not required. [Action Plan \(Appendix 1, Recommendation 2\).](#)

52. RIJB incurred a net overspend of £2.052 million against total funding received of £245,425 million on both health and social care services in 2017/18, and has reduced RIJB's reserves as summarised in [Exhibit 5 \(below\).](#)

53. Renfrewshire Council made an additional recurring funding facility of £4.406 million available to RIJB in 2017/18 of which £2.749 million was utilised in year. The remainder is being held by Renfrewshire Council as an earmarked reserve for RIJB to draw down in 2018/19. The overspend in 2017/18 takes into account this additional funding, an element of which is expected to be non-recurring.

Exhibit 5

Financial Performance	Funding £m	Expenditure £m	Variance £m
Health Services (NHS GGC)	162.925	163.941	-1.016
Social Care Services (Renfrewshire Council)	82.500	83.536	-1.036
Total Net Expenditure	245.425	247.477	-2.052
Funded by general reserves		-1.714	-1.714
Earmarked reserves used in 2017/18		-2.211	-2.211
Earmarked reserves created in 2017/18		1.873	1.873
Net impact on usable reserves		-2.052	-2.052

Source: 2017/18 Renfrewshire IJB Annual Accounts

Financial Planning

54. RIJB approved a medium term financial plan on 15 September 2017, covering the period 2018/19 to 2020/21. The report details scenario planning based on anticipated cost pressures from pay inflation, demand for services and increasing prescribing costs, and highlights an estimated funding gap of £16-£21 million for this three year period. To mitigate this, RIJB project that recurring savings of £6 million per annum are required assuming there is no increase in recurring funding.

55. RIJB's risk sharing agreement with NHSGGC for prescribing costs ceased on 31 March 2018. From 2018/19 onwards RIJB will be responsible for managing spend against budget where previously funding has been provided at cost from NHSGGC. Prescribing is a significant part of RIJB's health expenditure (£36.271 million in 2017/18) and the cost is potentially volatile due to changes in drug costs

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.

and levels of demand. This increases the risk to RIJB in meeting future savings targets.

Efficiency Savings

56. The Adult Social Care budget for 2018/19 approved on the 23 March 2018 projected a spending requirement of £67.875 million for 2018/19, an increase of £4.027 million on from 2017/18. The increase will be funded by additional council contributions, £1.500 million of which is non-recurring and will therefore need to be added to the projected funding deficit in future periods.

57. The Health budget for 2018/19 was approved on 27 April 2018, with a projected additional spending requirement of £4.026 million. This is expected to be financed by additional funding from Scottish Government (£2.344 million) and savings (£1.545 million), leaving £0.137 million to be funded from reserves.

58. The planned health savings in 2018/19 of £1.545 million were agreed as part of the budget approval and include changes to the Mental Health NetWork Employability service and changes to how the Integrated Care Fund is applied.

59. A summary of RIJB's projected additional spending requirement for 2018/19 is included in Exhibit 6. Exhibit 7 shows the additional funding sources, savings and reserves that RIJB plan to use to mitigate for the additional spending requirement.

Exhibit 6

RIJB projected additional spending pressure in 2018/19

	£m
Health Services (NHS Greater Glasgow and Clyde)	4.026
Social Care Services (Renfrewshire Council)	4.027
Total	8.053

Exhibit 7

Funding for RIJB projected additional spending pressure 2018/19

Funding for RIJB projected additional spending pressure 2018/19	£m
Recurring additional funding from:	
Scottish Government	2.344
Renfrewshire Council	2.525
Non-recurring additional funding from:	
Renfrewshire Council	1.500
Reduction in health spend from savings plan	1.545
Use of RIJB reserves	0.137
Total recurring	6.416
Total non-recurring	1.637
Total	8.053

Reserves strategy

60. The RIJB reserves policy was approved at the board meeting on 24 June 2016. It sets a maximum level of general reserves that RIJB should maintain (2% of net budget), and sets out the purposes for which reserves should be created.

61. As detailed in Exhibit 8, the 2017/18 overspend of £2.052 million has reduced the overall reserves position. General reserves have been utilised in line with the overspend, falling from £2.644 million at 31 March 2017 to £0.930 million at 31 March 2018. Whilst the reserves policy sets a maximum level, it does not set a minimum level for reserves. RIJB should consider updating the reserves policy to set out a minimum and maximum reserves level. [Action Plan \(Appendix 1, Recommendation 3\)](#).

62. Renfrewshire Council provided an additional recurring funding facility to RIJB £4.406 million in 2017/18 of which £1.651 million was unutilised. The unutilised portion is currently held by Renfrewshire Council as an earmarked reserve for RIJB to draw down in 2018/19 and is effectively part of RIJB's general reserves.

63. RIJB's overall earmarked reserves net position has reduced by £0.338 million, however there have been significant movements in year. A total of £2.211 million of earmarked reserves were utilised, which was offset by the creation of £1.873 million new earmarked reserves.

64. As noted in our 2016/17 Annual Audit Report, RIJB held earmarked reserves of £2.094 million on behalf of NHS GGC. The £2.094 million forms the majority of the £2.211 million of earmarked reserves utilised in 2017/18. This was returned to NHS GGC and was therefore not used to provide IJB services in 2017/18.

65. As at 31 March 2018, total earmarked reserves are £2.512 million; £0.484 million for adult social care and £2.026 million for health.

Exhibit 8

Detailed use of reserves in 2017/18

		Opening £m	Drawn down in 2017/18 £m	Newly created £m	Closing £m
Adult Social Care Reserves	General	1.519	-1.519	-	-
	Earmarked	-	-	0.484	0.484
	Total	1.519	-1.519	0.484	0.484
Health Reserves	General	1.125	-0.195	-	0.930
	Earmarked	2.850	-2.211	1.389	2.028
	Total	3.975	-2.406	1.389	2.958
RIJB	Total	5.494	-3.925	1.873	3.442

Part 3

Governance, transparency and value for money



Main judgements

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



The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. Until RIJB implements these changes there is a risk that they are in breach of the GDPR requirements.

Governance arrangements

66. RIJB has representation from a wide range of service users and partners including four elected councillors nominated by Renfrewshire Council and four non-executive directors nominated by NHSGGC.

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

68. We attended RIJB and Audit Committee meetings throughout the year and noted that board members were well informed on the issues discussed and provided robust challenge to management. The board chair was effective in ensuring these discussions were translated into clear decisions to be agreed by RIJB.

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

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

Transparency

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

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

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

73. Recent RIJB meetings have been very well attended by members of the public due to the interest in proposed changes to day care services for adults with learning disabilities following Capability Scotland's stated intention to withdraw from their existing contract. RIJB have made positive efforts to accommodate the additional attendees and allowed them to voice their opinion on these matters.

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

Internal audit

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

76. The internal audit function is carried out by the internal audit section within Renfrewshire Council. We carried out a review of the adequacy of the internal audit function and concluded that operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place, or state if it doesn't.

77. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. We also considered internal audit report findings as part of our wider dimension work.

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

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

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

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

Other governance arrangements

81. RIJB involves partner groups including community planning groups, the third sector, the independent sector and local communities.

82. The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017. This requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate.

83. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. All EU member states must implement the Regulation in the same way. GDPR has introduced new and significantly changed data protection concepts. RIJB first considered GDPR in a paper presented to the Audit Committee on 29 June 2018, one month after the regulations came into force, where the proposal to implement changes required by GDPR was approved.

84. Until RIJB implements the proposed changes, there is a risk they are in breach of the GDPR requirements. [Action Plan \(Appendix 1, Recommendation 4\)](#).

Value for money and performance management

85. Best Value duties apply to accountable officers across the public sector. As part of this year's audit we have looked at how the IJB demonstrates that it is meeting its BV duties.

86. RIJB's current Strategic Plan covers the period 2016-2019. It identifies three strategic priorities that are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice. These are:

- improving health and wellbeing
- the right service, at the right time, in the right place
- working in partnership to treat the person as well as the condition.

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

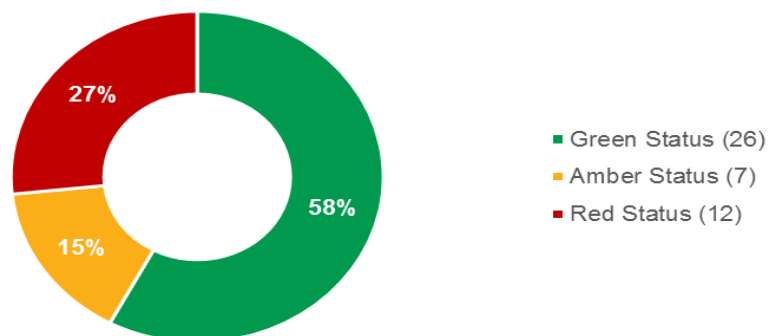
88. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan. A performance report was submitted to RIJB Board meeting on 29 June 2018 and was in line with requirements of the act.

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

90. The annual performance report contains information on 91 key performance indicators (KPIs). 46 of these are for data only, with the remaining 45 assessed as red, amber or green on the basis of performance against a target. The performance against KPIs for 2017/18 is summarised in Exhibit 7. The results reported are broadly in line with those from 2016/17, which showed; Green (53%), Amber (22%), Red (25%).

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

Exhibit 7 Performance Indicators



91. The following targets with “Green” status, indicating targets were achieved are highlighted below:

- all patients started treatment within 18 weeks of referral to psychological services (target 90 per cent)
- the average number of clients on the occupational therapy waiting list was 302, lower than the target of less than 350. This is an improvement on 2016/17 for which a figure for 340 was reported.

92. The number of emergency admissions from care homes is listed as “Amber”, with 388 admissions against a target of (less than) 363. This is an improvement from 2016/17 which reported 538 (less than 480 was targeted) and was categorised as “Red”.

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

- Accident and Emergency waiting time performance has declined with 85.5% of patients being seen within 4 hours (target 95%) from 89.5% in 2016/17
- the number of carer assessments for adults was 49 against a reduced target of 70 and has continued to decline each year from 2014/15
- the number of emergency admissions from care homes was 538 against a target of (less than) 480.

National performance audit reports

94. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which are of direct interest to the Board as outlined in Appendix 3.

95. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home.

96. Audit Scotland also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. The scale of the change is significant and will not happen quickly.

97. Therefore, Audit Scotland have carried out a second audit in 2018, now integration authorities are more established, to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for impact on the lives of local people. The report is due to be published in November 2018.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Errors in 2017/18 financial information</p> <p>Errors in 2017/18 financial information provided by RIJB caused misstatements in the NHSGGC and Renfrewshire Council annual accounts. The error was corrected in RIJB unaudited accounts.</p> <p>Risk</p> <p>Without improvements in the review process, there is an increased risk of future errors occurring.</p>	<p>RIJB should ensure that measures are put in place to strengthen year end procedures.</p>	<p>The Chief Finance Officer will work with colleagues in NHSGGC and Renfrewshire Council to strengthen the current year end procedures</p> <p>Chief Finance Officer</p> <p>June 2019</p>
2	<p>Financial recovery plan</p> <p>The integration scheme states that where an overspend is projected a recovery plan should be put in place. RIJB incurred a deficit of £2.052 million and did not implement a deficit recovery plan.</p> <p>Risk</p> <p>Without this the RIJB is not complying with the arrangements as set out in the integration scheme.</p>	<p>RIJB should ensure that it complies with the arrangements as set out within the integration scheme.</p>	<p>In 2017/18 RIJB did not implement a deficit recovery plan as additional recurring funding was made available from Renfrewshire Council and therefore assessed that a financial recovery plan was not required.</p> <p>As noted in this report (point 37) RIJB did implement a financial recovery plan at the start of 2018/19 where it was assessed as appropriate to do so. We will ensure that where appropriate the arrangements as set out in the integration scheme are applied.</p> <p>Chief Finance Officer</p> <p>On-going</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p>Reserves policy</p> <p>RIJB's reserves policy sets a maximum level, it does not set a minimum level for reserves.</p> <p>Risk</p> <p>RIJB may not maintain sufficient reserves to mitigate for unexpected changes in funding or expenditure.</p>	<p>RIJB should consider updating the reserves policy to set out a minimum and maximum reserves level.</p>	<p>The Chief Finance Officer will make a recommendation to this effect to the IJB, however, the ability to deliver this will be solely dependent on the in-year pressures on the overall budget.</p> <p>Chief Finance Officer 1 April 2019</p>
4	<p>Compliance with GDPR Requirements</p> <p>RIJB considered its requirements to comply with GDPR in a paper presented to the Audit Committee on 29 June 2018, where the proposal to implement changes required by GDPR was approved. However, GDPR came into force on 25 May 2018.</p> <p>Risk</p> <p>Until RIJB implements the proposed changes, there is a risk that RIJB are in breach of the GDPR requirements.</p>	<p>RIJB should implement the required changes to comply with GDPR legislation.</p>	<p>Renfrewshire IJB handles very little, if any, personal data, and the impact on the IJB, as opposed to partner organisations, is anticipated to be limited. Any personal data processed is likely to be held on the information systems owned by Renfrewshire Council or NHS Greater Glasgow and Clyde.</p> <p>Responsible officer Agreed date</p>

Follow up of prior year recommendations

b/f	<p>1. Reserves</p> <p>RIJB carried forward £2.094million of reserves temporarily transferred from NHS Greater Glasgow and Clyde in 2016/17.</p> <p>Risk</p> <p>There is a risk that reserves do not reflect the financial position of RIJB.</p>	<p>The board should consider whether it is appropriate to effect these transfers in the future.</p> <p>2017/18 update:</p> <p>We confirmed that none of RIJB's 2017/18 reserves are carried forward on behalf of other bodies.</p>	Resolved.
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No.	Issue/risk	Recommendation	Agreed management action/timing
b/f	<p>2. Delayed Agreement of Health Budgets</p> <p>The 2016/17 health budget savings plan was not agreed until 23 June 2017, after the 2016/17 financial year ended.</p> <p>The 2017/18 health budget has not yet been agreed.</p> <p>RIJB management has made assumptions regarding budget and savings plans.</p> <p>Risk</p> <p>There is a risk assumptions made by management may be incorrect, leading to unforeseen over/underspends.</p>	<p>The board should put in place procedures to ensure that future budgets/savings plans are agreed in advance of the financial year end.</p> <p>2017/18 update:</p> <p>As noted in Exhibit 3, the approval of health budget was delayed for 2018/19.</p>	<p>In line with 'good practice' we will continue to work with the IJB and the Director of Finance for NHSGGC to ensure that all possible steps are taken to enable the IJB to approve the delegated health budget prior to the start of the financial year.</p> <p>Chief Officer and Chief Finance Officer</p> <p>On-going</p>
b/f	<p>3. Hospital Acute Services (Set Aside)</p> <p>Arrangements for the sum set aside for hospital acute services under the control of RIJB are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure has been agreed and included in the annual report and accounts.</p> <p>This is based on 2014/2015 activity levels uprated to reflect the 2016/2017 price basis and does not reflect actual hospital use.</p> <p>This is a transitional arrangement for 2016/17 agreed by the Scottish Government.</p> <p>Risk</p> <p>There is a risk that in future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p>	<p>NHS Greater Glasgow and Clyde and RIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p> <p>2017/18 update:</p> <p>This was expected to be a transitional arrangement for 2016/17, however an extension was agreed by the Scottish Government. NHSGGC and RIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2018/19</p>	<p>The CFO will continue to work with colleagues at NHSGGC and the Scottish Government to agree a methodology for the allocation and monitoring of the set aside budget based on actual current activity levels and current price base.</p> <p>Chief Finance Officer</p> <p>On-going</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
4. Budget Reports	<p>Budget reports provided to the board in 2016/17 recognised that reserves were being created, while projecting a breakeven position. The value of the reserves (£5.494 million) was not clarified until the year end report in June 2017.</p> <p>While we recognise that year end projections are subject to variance, the board should be informed of the best estimate of financial position.</p> <p>Risk</p> <p>Board reports may not provide sufficient information to allow members to review financial performance and make informed decisions.</p>	<p>Financial reports should be revised to ensure they are accurately reflecting spending to date and the projected year end position.</p> <p>2017/18 update:</p> <p>Management updated finance reports to include information on the use of reserves.</p> <p>However, a “breakeven” position was still reported throughout 2017/18 despite the eventual result being a £2.052 million overspend.</p> <p>Financial reports should be revised to improve clarity on variances in planned expenditure, the use of reserves and additional funding and the financial position.</p>	<p>The format of financial reports for 2018/19 have been updated to provide greater clarity.</p> <p>Chief Finance Officer 14 September 2018</p>
5. Medium to Long Term Financial Planning	<p>Current financial planning is short term, extending to the end of the current financial year.</p> <p>RIJB are currently in the process of creating a financial plan for 2018/19 – 2020/21.</p> <p>Risk</p> <p>There is a risk that without long term planning there will be an impact on RIJB future budget.</p>	<p>RIJB should ensure their financial plan for 2018/19 – 2020/21 is completed and used to guide future budgeting decisions.</p> <p>2017/18 update:</p> <p>RIJB approved a medium term financial plan on 15 September 2017, covering the period 2018/18 to 2020/21.</p>	Resolved.

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Confirmations of testing by external auditors of the Council and Health Board for journal entries, and testing over the completeness, accuracy and allocation of income and expenditure were obtained in the form of written assurances.</p> <p>Testing of transactions processed locally by RIJB was also carried out.</p> <p>Conclusion: there is no evidence of management override of controls at the IJB.</p>
<p>2 Approval of 2017/18 financial statements</p> <p>There were a number of procedural issues noted during the completion of the 2016/17 financial statements.</p> <p>Although these did not delay the financial statements statutory sign off deadline there is a risk of similar issues in 2017/18.</p>	<p>Meetings will be scheduled with the external auditor early in the audit process to establish and agree timescales and procedures to be followed for the 17/18 accounts review.</p> <p>This will include agreeing relevant papers, appendices, certificates to be included and presented to the IJB Audit Committee and IJB</p>	<p>The unaudited accounts were prepared and delivered in line with the agreed timetable.</p> <p>Conclusion: discussions have taken place with officers to ensure appropriate procedures are in place.</p>

Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial sustainability</p> <p>RIJB is projecting a breakeven position for the 2017/18 financial year. However, this is contingent on the use of reserves (£4.3 million, some of which was planned) and additional funding (£4.4 million) provided by Renfrewshire Council.</p> <p>The IJB also has a number of medium term financial pressures including pay inflation, increasing prescribing costs and increasing service demand.</p> <p>Based in the expected impact of these pressures the IJB has identified a funding gap of between £16 million and £21 million for the period 2018/19-20/21. RIJB is projecting that annual savings of £6 million will be required to breakeven in this period.</p> <p>The short and medium term financial challenges highlight the risk that RIJB may be unable to maintain its current level of service provision whilst achieving financial balance.</p>	<p>The IJB approved their 3 year Financial Plan in November 2017, which set out a clear short to medium term financial strategy. Financial Reports are brought to each IJB meeting to update members on the IJB's ability to deliver on this strategy and review its in-year financial position in line with its Financial Plan.</p> <p>Furthermore, as part of the wider HSCP transformation agenda, a programme of recurring cost containment and redesign work is underway. This programme is building on a long-standing approach to deliver savings and efficiencies for local health services, it includes a review of all major services, workforce planning changes and budget efficiencies. IJB Members receive regular updates on this programme.</p> <p>Building upon this, the Chief Finance Officer and Chief Officer are proactively working with IJB members to address its recognised financial pressures. Regular development sessions with the IJB members include discussion around the HSCP's proposal to address the recognised financial pressures for 18/19. On the back of this work, the IJB has already agreed some of the savings required to deliver a balanced budget.</p> <p>The HSCP has an established financial planning process and is developing further saving proposals in liaison with the IJB for approval at future Boards.</p> <p>The Chief Officer and Chief Finance Officer also have regular budget monitoring and planning meetings with the Chief Executives and Finance Directors of both the Council and NHS GGC in order to proactively manage the IJB's</p>	<p>We noted that RIJB used general reserves and additional funding from Renfrewshire Council. RIJB has identified that future funding pressures will be met by a mixture of savings and additional funding from partner bodies.</p> <p>Conclusion: The IJB will continue to face significant financial challenges through funding pressures and an increased demand for services. We will continue to monitor this.</p>

Audit risk	Assurance procedure	Results and conclusions
<p data-bbox="164 349 584 383">4 Agreement of health budgets</p> <p data-bbox="209 398 584 517">The 2017/18 health budget was not agreed until September 2017, six months after the start of the financial year.</p> <p data-bbox="209 533 584 651">The health budget for 2018/19 is due to be approved at the board meeting on 23 March 2018.</p> <p data-bbox="209 667 584 913">Due to the delays experienced last year, there is a risk that the 2018/19 health budget will not be approved until after the start of the financial year. This could impact the ability of the IJB to strategically manage expenditure.</p>	<p data-bbox="619 253 989 315">budget strategy and in-year financial position.</p> <p data-bbox="619 349 989 651">In a letter dated 14 December 2017, Christine McLaughlin, Director of Health Finance at the Scottish Government noted that “NHS Boards should ensure that 2018-19 budget settlements for Integration Authorities are in place in advance of the new financial year”.</p> <p data-bbox="619 667 989 1126">To further mitigate the risk of delay, the Chief Finance Officer and Chief Officer will, as a priority, assess the budget offer as soon as it is confirmed by the Health Board, and make recommendations on its sufficiency to the IJB. To ensure the timely agreement of the final budget in advance of the new financial year, an IJB meeting has been scheduled on Friday 23 March 2018.</p>	<p data-bbox="1005 349 1442 501">As noted in part 1 of this report, approval of the health budget was delayed in 2018/19. This has been reflected in the action plan in Appendix 1.</p> <p data-bbox="1005 517 1442 701">Conclusion The board should put in place procedures to ensure that future budgets/savings plans are agreed in advance of the financial year end.</p>
<p data-bbox="164 1167 584 1223">5 Roles of board and committee members</p> <p data-bbox="209 1238 584 1357">A number of the board and audit committee members have less than 12 months experience in their appointed role.</p> <p data-bbox="209 1373 584 1619">From discussions with management there is a programme to provide training and development to support members. Until this is rolled out there is a risk that members are not fully effective in their respective roles.</p>	<p data-bbox="619 1167 989 1346">Training Needs Analysis is currently being carried out for all IJB Members and a tailored training programme will be developed based on this exercise.</p> <p data-bbox="619 1361 989 1608">In addition, the HSCP holds regular development sessions for all IJB Members. These have all been timetabled for the coming year. Members are asked for topics they would like covered at these sessions.</p> <p data-bbox="619 1624 989 1742">IJB Audit Committee Members are also routinely provided training on key topics/issues the by the Internal Auditor.</p> <p data-bbox="619 1758 989 2033">The HSCP is also actively engaging with the other 5 HSCPs in the GGC area to take advantage of any shared IJB training and development opportunities and/ or gaining feedback on what different approaches have been well received by Members.</p>	<p data-bbox="1005 1167 1442 1252">Members received training on the role of external audit on 29 June 2018.</p> <p data-bbox="1005 1267 1442 1391">Conclusion: there is a satisfactory training programme in place to support board members.</p>

Appendix 3

Summary of national performance reports 2017/18



		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	Scotland's colleges 2017
		Jul	NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

Reports relevant to Integration Joint Boards

[Self-directed support: 2017 progress report](#) – August 2017

[NHS in Scotland 2017](#) – October 2017

Renfrewshire Renfrewshire Integration Joint Board

2017/18 Annual Audit Report

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