

East Renfrewshire Integration Joint Board

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for East Renfrewshire Integration Joint Board and the Controller of Audit

November 2021

Contents

Key messages	3
Introduction	5
1. Audit of 2020/21 annual accounts	7
2. Financial management and sustainability	11
3. Governance, transparency, and Best Value	16
Appendix 1	20
Appendix 2	24
Appendix 3	27

Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts of the East Renfrewshire Integration Joint Board (the IJB) are unmodified.
- 2 We received the unaudited accounts on 23 June 2021 in line with our agreed audit timetable. In light of the working restrictions arising from the current COVID-19 pandemic, we agreed with senior officers of the IJB to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and re-profile the timing and delivery of our audit to complete in November 2021.

Financial management and sustainability

- 3 The IJB has appropriate and effective financial management arrangements in place to support financial monitoring, reporting and decision making.
- 4 The IJB returned an underspend of £5.759 million against a budgeted overspend of £2.432 million, prior to any identified savings. This was mainly due to reduced service costs in some areas because of COVID-19 as well as earmarked funding received in-year that was unspent as at 31 March 2021.
- 5 The medium-term financial outlook, covering the period 2022/23 to 2026/27, has been updated by the IJB to reflect the impact of COVID-19, with an identified funding shortfall of around £4 million per year from 2021/22 onwards. Future efficiency savings alone are unlikely to address this funding gap and the IJB will need to continue to work with partners to develop a revised financial strategy which ensures the organisation remains financially sustainable.

Governance, Transparency and Best Value

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the COVID-19 pandemic have been appropriate and operated effectively.
- 7 The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value.

- 8** The IJB has effective arrangements for managing performance and monitoring progress towards strategic objectives.

Introduction

1. This report summarises the findings from our 2020/21 audit of East Renfrewshire Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Performance and Audit Committee meeting on 23 June 2021. This report comprises the findings from:
 - an audit of the IJB's 2020/21 annual accounts and
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The global coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. This has had significant implications for services, sickness absence levels and planned projects and initiatives. Risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our planned audit work at the IJB to address these risks.

Adding value through the audit

4. We add value to the IJB through our audit through:
 - regular meetings with the Chief Finance Officer and Accountancy Manager (Deputy Chief Finance Officer) to assess technical accounting guidance around coronavirus funding and expenditure and agree the associated reporting requirements in the financial statements.
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

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

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 and supplementary guidance, and International Standards on Auditing in the UK. As public sector auditors, we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, and the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

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

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

Auditor independence

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

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £27,330, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of the resources and performance

Main judgements

Our audit opinions on the annual accounts of the East Renfrewshire Integration Joint Board (the IJB) are unmodified.

We received the unaudited accounts on 23 June 2021 in line with our agreed audit timetable. In light of the working restrictions arising from the current COVID-19 pandemic, we agreed with senior officers of the IJB to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and re-profile the timing and delivery of our audit to complete in November 2021.

Our audit opinions on the annual accounts are unmodified

12. The annual accounts for the year ended 31 March 2021 were approved by the IJB on 24 November 2021. As reported in the independent auditor's report:

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

The COVID-19 pandemic had a limited impact on audit evidence

13. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the COVID-19 pandemic.

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

The annual accounts were signed off in line with timescales permitted to reflect COVID-19

15. As a result of the continuing impact of COVID-19, the submission deadlines for IJB's audited annual accounts and annual audit reports have been set at 30 November 2021.

16. The unaudited annual accounts were received in line with our agreed audit timetable on 23 June 2021. In light of the working restrictions arising from the current COVID-19 pandemic combined with the need to maintain the quality of our audit in a remote working environment, we agreed with senior officers of the IJB to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and reprofile the timing and delivery of our audit to complete in November 2021. The annual accounts were signed off in line with the revised timetable.

Overall materiality is £2.1 million

17. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of any identified misstatements on the audit. We identify a benchmark on which to base overall materiality such as gross expenditure and apply what we judge to be the most appropriate percentage level for calculating materiality values.

18. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the financial statements. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

19. Our initial assessment of materiality was carried out during the planning phase of the audit and was based on projections around the impact of COVID-19 on expenditure. On receipt of the unaudited annual accounts materiality levels were revised and updated to reflect the actual levels of expenditure during 2020/21 as summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Planning	Final
Overall materiality	£1.85 million	£2.1 million
Performance materiality	£1.11 million	£1.26 million
Reporting threshold	£100 thousand	£105 thousand

Source: Audit Scotland

Significant findings to report on the annual accounts

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

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

22. Our audit identified two significant adjustments which exceeded our materiality threshold of £2.1 million. Management have agreed to correct both misstatements, neither of which had an impact on the final financial position of the IJB. In detail:

- After the preparation of the accounts a coding error was identified in the central spreadsheet prepared by officers in the health board for the calculation of the set-aside. This impacted the set aside value in both 2020/21 and 2019/20. A misstatement of £7.972 million for was identified for 2020/21 and an associated prior year restatement of £7.589 million was required. We have concluded that the misstatement was an isolated issue and does not indicate a wider systematic error.
- A classification error relating to a £4.2 million misstatement within expenditure which was included as Prescribing instead of Family Health Service.

23. A further two misclassifications within notes to the accounts were identified and corrected by management as follows:

- Note 2 has been updated to include £210,000 of Covid-19 funding which was correctly reflected in the Comprehensive Income and Expenditure Account and Note 3 but was omitted from Note 2.
- Note 4 for hosted services correctly reflected the total Learning Disability In-Patient Services cost of £9.294 million, however the split across each of the IJB's was misclassified. The movement relating to East Renfrewshire was a reduction to cost of £1.915 million from £1.926 million to £0.011 million.

Unadjusted misstatements

24. We have no unadjusted misstatements to report.

Good progress was made on prior year recommendations

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

2. Financial management and sustainability

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

Main judgements

The IJB has appropriate and effective financial management arrangements in place to support financial monitoring, reporting and decision-making.

The IJB returned an underspend of £5.759 million against a budgeted overspend of £2.432 million, prior to any identified savings. This was mainly due to reduced service costs in some areas because of COVID-19 as well as earmarked funding received in-year that was unspent at 31 March 2021.

The medium-term financial outlook, covering the period 2022/23 to 2026/27, has been updated to reflect the impact of COVID-19, with an identified funding shortfall of around £4 million per year from 2021/22 onwards. Future efficiency savings alone are unlikely to address this funding gap and the IJB will need to continue to work with partners to develop a revised financial strategy which ensures the organisation remains financially sustainable.

The 2020/21 budget included planned savings to address the funding gap for the year

26. The IJB approved its 2020/21 budget of £124.054 million in March 2020. The budget identified a funding gap of £2.432 million with plans to address this using identified savings and transfers from reserves as required. Savings plans included review of non-residential care packages.

The budget process was appropriate

27. The budget was prepared with a high level of uncertainty due to the COVID-19 pandemic and as a result, the final position was expected to change. Members received regular and accurate information on the IJB's financial position throughout the year as detailed budget monitoring reports were submitted to meetings of the IJB. Appropriate adjustments were made to the budget to reflect additional funding streams and commitments as they occurred,

and the actual year-end outturn position was in line with expectations reported to the Integration Joint Board.

28. The content of the budget monitoring reports was regularly updated to reflect the financial impact of COVID-19. An additional section was included that highlighted additional income received and expenditure incurred as a result of COVID-19. This ensured the IJB were aware of how COVID-19 impacted on the overall financial position and outturn. We have concluded that the IJB has appropriate budget monitoring arrangements.

The IJB returned an underspend in 2020/21

29. The impact on public finances of the COVID-19 pandemic has been unprecedented and this has necessitated both the Scottish and UK governments to provide substantial additional funding for public services as well as support for individuals, businesses, and the economy. It is likely that further financial measures will be needed and that the effects of the pandemic will be felt well into the future.

30. The IJB received additional funding of £12.260 million in year from the Scottish Government in relation to COVID-19. The IJBs accounts include £9.095 million of specific costs that were incurred as a consequence of the pandemic and as such, a total of £3.145 million was added to the ring-fenced reserves balance in year. The accounts were prepared on the assumption that the Scottish Government will continue to fund additional COVID-19 expenditure during 2021/22.

31. The IJB accounts disclose a surplus of £5.759 million in the financial year. [Exhibit 2](#) illustrates a high-level summary of funding contributions and total expenditure which resulted in a surplus on the provision of service. It also shows the movements in reserves during the year.

Exhibit 2

Year-end financial summary

IJB summary	NHS Greater Glasgow & Clyde £m	East Renfrewshire Council £m	Total £m	Financial outturn £m
Net funding contribution (Income)				
Funding contribution from partners	(118.742)	(57.531)	(176.273)	
Resource transfer			(6.568)	

Social Care Fund	(5.275)	
Net funding contribution		(188.116)
Total expenditure		182.357
2020/21 surplus on the provision of services		(5.759)
Represented by:		
Funding received transferred to earmarked reserves	(2.227)	
Funding received transferred to ring-fenced reserves (see para 32 below)	(4.363)	
Earmarked reserves drawn down in year	0.831	(5.759)

Source: East Renfrewshire Integration Joint Board Annual Accounts

32. The £4.363 million ring-fenced funding reflects monies received for local and national priorities which have yet to be delivered, including £3.145 million of COVID-19 funding received from the Scottish Government not spent in year. This will be utilised in 2021/22 to support the ongoing response to the pandemic. This ring-fenced funding has been transferred to reserves and can only be used for the intended purpose.

33. An additional £2.227 million has been transferred to earmarked reserves to be used for specific purposes over the coming years, including budget saving phases, counselling in schools and children and young peoples' mental health framework. This gives the IJB total earmarked reserves of £5.667 million.

34. Reserves are an integral part of the medium and longer-term financial planning of the IJB and its financial sustainability. The IJB holds reserves as a contingency to mitigate the impact of unanticipated pressures and to meet specific future commitments. The board aims to hold uncommitted general reserves of 2% of the IJBs revenue budget (excluding significant fixed costs such as family health service), which equates to approximately £1 million.

35. At 31 March 2021 the IJB held £272,000 of general reserves as was the position at 31 March 2020. The balance of £272,000 is significantly below the

reserve's strategy target of around £1 million, however, the IJBs earmarked reserve balance can be used to deal specifically with budget savings and in-year pressures. The current reserves held by the IJB are considered appropriate in the short term, however there is a risk that additional general reserves may be required in the longer term given the unprecedented financial challenges facing the IJB. The IJB should consider how to align its general reserve level with its stated reserves policy.

Recommendation 1

The level of general reserves should be reviewed, and appropriate action taken to comply with the stated reserves policy and bring the level of general reserves held into line with the Boards target.

The medium-term financial plan has been updated to reflect the expected impact of COVID-19

36. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to develop its services or the way in which they should be delivered. The IJB approved an updated five-year medium-term financial outlook in June 2021. This covers the period 2022/23 to 2026/27 and supports the development of the current strategic plan. The financial outlook details a range of scenarios and factors that impact on the IJBs ability to deliver the strategic plan, including:

- Anticipated funding levels
- Cost pressures arising from inflation, service demand and changes in legislation
- Cost pressures arising as a result of the on-going response to the COVID-19 pandemic and the future consequences on service demand due to the pandemic.

37. The outlook is updated annually to recognise changes in these scenarios and factors and identifies a potential funding gap of around £4 million each year from 2021/22 onwards.

Future funding gaps are unlikely to be addressed through efficiency and transformation savings alone

38. The IJB has demonstrated a reasonable track record in the delivery of its agreed savings targets, although this has become increasingly difficult due to increased levels of demand and the pandemic response.

39. Savings targets have been set for 2021/22 and beyond, however efficiency savings and service reforms alone are unlikely to bridge the funding gaps identified in the longer-term without significant impact to the level of service currently delivered by the IJB.

40. The potential funding gap identified within the medium-term financial outlook of £22 million over the five years from 2022/23 represents a challenging target. Efficiency savings alongside service reform and prioritisation will address some of the funding gap, however with increasing demand pressures, officers consider that the longer-term gap cannot be bridged through efficiency savings alone and will continue to engage with partner bodies around future funding levels.

Recommendation 2

Continue to engage with partner bodies in relation to future funding levels, to ensure the IJB remains financially sustainable.

Financial systems of internal control operated effectively

41. The IJB is reliant on the systems of its partner bodies, NHS Greater Glasgow and Clyde and East Renfrewshire Council, for its key financial systems including ledger and payroll. All IJB transactions are processed through the respective partners' systems and all controls over these systems are within the partner bodies, rather than the IJB.

42. As part of our audit approach, we sought assurances from the external auditors of NHS Greater Glasgow and Clyde and East Renfrewshire Council in accordance with International Standard on Auditing (UK) 402. Confirmation has been received that there were no weaknesses in the systems of internal controls for either the health board or the council impacting on the audit of the IJB.

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

43. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. The arrangements in place at East Renfrewshire Council and NHS Greater Glasgow and Clyde were reviewed as part of the external audits and the respective teams found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest are publicly available on the IJB's website.

44. We reviewed the arrangements in place at NHS Greater Glasgow and Clyde and East Renfrewshire Council through consideration of the work by partner body auditors and concluded that appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

3. Governance, transparency, and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information. Using resources effectively and continually improving services.

Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the COVID-19 pandemic have been appropriate and operated effectively.

The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value.

The IJB has effective arrangements for managing performance and monitoring progress towards strategic objectives.

Governance arrangements operating throughout the COVID-19 pandemic have been appropriate and operated effectively

45. In response to the COVID-19 pandemic the IJB made a number of changes to its governance arrangements including the establishment of a Local Resilience Management Team, implementation of temporary decision-making arrangements, the creation of a COVID-19 risk register and participation in local and national working groups. The IJB worked with partner organisations to support a joined-up response.

46. Virtual Board and Performance and Audit Committee meetings were established and operated throughout 2020/21. This has supported effective scrutiny, challenge and decision-making. Meetings continue to be held in a virtual environment, in line with the Scottish Government guidance for safer workplaces during the pandemic. We concluded that the revised arrangements were appropriate and adequate and operated effectively. Overall governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

Openness and transparency

47. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding

and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

48. Due to COVID-19, all meetings of the Board and Performance and Audit Committee for 2020/21 were held online, with papers and minutes published on the website. Last year we reported a website design issue where specific reports relating to the Performance and Audit Committee were unavailable due to search functionality limitations. Action has been taken and this issue has now been resolved.

49. Overall, the IJB shows a commitment to transparency with all Board and Performance and Audit committee meeting minutes and documents being available on the website.

Arrangements are in place to secure Best Value

50. Integration Joint Boards have a statutory duty to make arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

51. The IJB aims to secure best value through its budget monitoring reports, which include sufficient detail and quality to provide those making decisions with the information required. Best value criteria is considered as part of budget decisions and proposals and is an implicit part of reporting. Board members frequently challenge proposals made by the IJB on the basis of what is best for users and with a view to securing best value

52. The IJB further demonstrates its commitment to securing best value through their consideration of alternative models of service delivery. The Recovery and Renewal programme was established prior to the pandemic and then paused to enable the required response to COVID-19. In June 2021 the Integration Joint Board considered a report on the future of the programme. Given the challenges facing the IJB and the impact of the pandemic the focus of the programme changed to transformation with recovery being incorporated.

53. The programme has four overarching themes of recovery, wellbeing, individual's experiences and business systems and processes. Projects will be aligned to one of these themes.

- Recovery – will focus on the transition from recovery to the new normal.
- Wellbeing - will focus on staff and IJB partners. Its projects will include the development a wellbeing action plan and wellbeing champions.
- Individual's experience – will focus on engagement with service users to reflect on changes to models of service delivery over the past year. The programme aims to consider the role of technology and identify areas for further improvement and redesign of services including the care at home redesign and the learning disability overnight support projects.

- Business systems and processes – will focus on information systems and process improvement and includes the replacement of the HSCP case recording system and care at home scheduling system.

Review of adult social care services

54. An independent review of adult social care services was published in February 2021. This was requested by the Scottish Government in September 2020 with the primary aim of the review being to recommend improvements to adult social care services in Scotland. The review made a number of recommendations including the set-up of a National Care Service for Scotland that is equal to the NHS and that self-directed support must work better for people with decisions being based on their needs, rights and preferences.

55. The IJB have considered and assessed the review and reported the findings to the Board. The organisation continues to monitor developments and is actively engaged in discussions around the implementation of the review with partners and stakeholders. The IJB anticipates that the review will have significant impacts for the delivery of social care moving forward and will look to implement any recommendations or specific actions arising from this review.

The IJB was able to maintain service performance levels despite the pandemic

56. The pandemic is expected to have had a substantial impact on performance measures, particularly for services which have been temporarily suspended, or are operating at a reduced level or have had to adapt to new ways of working.

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

58. The contents of the IJB's 2020/21 Annual Performance Report were in line with applicable requirements and guidance and the Report itself was considered by the Integration Joint Board on 22 September 2021.

59. The IJB has appropriate performance management arrangements in place, which are used to target effective service delivery and support improvement activity. Performance levels are measured against a suite of key performance indicators, comparing current year with prior years. The 2020/21 Annual Performance Report highlights a number of areas where the IJBs performance has shown the greatest improvement in 2020/21, including the percentage of people with alcohol and/or drug problems accessing recovery focussed treatment within 3 weeks (up from 90% in 19/20 to 95% in 20/21).

60. The IJBs performance against the key performance indicators reflect the impact of service provision due to the pandemic, however the targets for each key performance indicator could usefully be re-assessed to determine if they remain a realistic baseline target given the environment the IJB are currently operating within.

Recommendation 3

Review key performance indicators and, where appropriate, re-base relevant targets to ensure these reflect the impact of the pandemic on the IJBs performance.

61. The 2020/21 Annual Performance Report also acknowledges a number of areas where improvement is required and sets out key actions the IJB will progress to achieve these improvements. Examples of the areas for improvement include:

- Children and young people starting treatment for specialist child and adolescent mental health services within 18 weeks
- The percentage of those whose care need has reduced following reablement
- The percentage of HSCP (local authority) complaints received and responded to within timescale.

62. The IJB has effective arrangements in place for managing performance.

Care at Home

72. The Care Inspectorate published a Care at Home inspection report in February 2019. An improvement plan was established in response to the findings. A follow-up inspection took place in November 2019 and highlighted that a programme of service redesign was required for Care at Home to ensure improvement actions were achieved in a sustainable manner.

63. Work has been undertaken to address the improvement actions outlined by the Care Inspectorate and an unannounced inspection took place in June 2021. The report outlined grades of 4 (good) across all areas of the Care at Home service inspected.

National performance audit reports

64. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 3](#).

65. From attendance at Board and Performance and Audit Committees we are aware that the IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. General Reserve position</p> <p>The general reserve position at 31 March 2021 is £272,000 which is below the IJBs reserve strategies recommendation that it holds uncommitted reserves of around 2% of the IJBs revenue budget (excluding significant fixed costs), which equates to around £1 million.</p> <p>Risk – There is a risk that the uncommitted reserves held are not sufficient to meet longer-term financial pressures.</p>	<p>The level of general reserves should be reviewed, and appropriate action taken to comply with the stated reserves policy and bring the level of general reserves held into line with the Boards target.</p> <p>Paragraph 35</p>	<p>Whilst fully accepting we are not compliant with this policy this is a long-standing position for the IJB. As we have previously reported there is a tension between holding unallocated reserves when we have operated for a number of years with significant financial challenges. Our earmarked reserves strategy has allowed the IJB to prioritise service delivery. Without a significant increase in funding it is unlikely that the optimum 2% level of general reserve will be achieved.</p> <p>Chief Financial Officer 31 March 2022</p>
<p>2. Financial Sustainability</p> <p>The IJBs medium-term financial outlook has been updated to reflect the impact of COVID-19. Over the next five years from 2022/23 a potential funding gap has been identified of £22 million.</p> <p>It is unlikely that efficiency savings alone will be sufficient to bridge the funding gap identified over the longer-term without significant impact to the level of service currently delivered by the IJB.</p>	<p>Continue to engage with partner bodies in relation to future funding levels, to ensure the IJB remains financially sustainable.</p> <p>Paragraph 40</p>	<p>The maturity of our IJB has allowed to us to not only recognise the long-standing financial challenges we face, but also take a pragmatic approach to our financial planning. The future uncertainties have never been greater including understanding the impact Covid-19 on demand and complexity of need. The IJB recognised that the 2021/22 budget would be an iterative process, with funding changes relating to Covid-19 and other initiatives emerging</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>There is a risk that the IJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>		<p>as the year progressed. The IJB also recognised that without support for Covid-19 costs, including unachieved savings, that we would most likely need to invoke financial recovery planning.</p> <p>We will continue with our scenario planning, financial modelling and report our position to every IJB meeting.</p> <p>We will continue to work with our partners to articulate these challenges as part of our funding and performance discussions.</p> <p>Chief Financial Officer 31 March 2022</p>
<p>3. Key performance indicators</p> <p>The IJBs performance against the key performance indicators reflect the impact of COVID-19, however the targets themselves have not been reviewed to ensure these reflect a realistic baseline position for the IJB to measure performance against.</p> <p>Risk – There is risk that the key performance targets and the IJBs performance against these are not aligned, as a result of the impact of COVID-19.</p>	<p>Review key performance indicators and, where appropriate, re-base relevant targets to ensure these reflect the impact of the pandemic on the IJBs performance.</p> <p>Paragraph 60</p>	<p>Whilst many of our performance indicators are national or part of a wider Greater Glasgow and Clyde suite of measures we will endeavour to re-base those where we can.</p> <p>Covid-19 has had a direct impact on people’s health and wellbeing. The indirect effects on other conditions as well as long Covid may take some time to manifest. This means our performance indicators may need revision over a longer period of time.</p> <p>Chief Financial Officer 31 March 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Financial Sustainability</p> <p>The IJB has a savings requirement of £2.432 million per the 20/21 budget settlement. This has resulted in a funding gap of £1.644 million that will need to be met from care packages, revising the individual budget calculator to reflect prioritisation based on national criteria.</p> <p>The August 2020 revenue budget monitoring report projects an overspend of £0.238 million against a full year budget of £125.8 million. The intention is to fund this from the budget savings reserve as required.</p> <p>The IJB will also face additional challenges due to the impacts of COVID-19. The estimated financial implications of COVID-19 between March 2020 and March 2021 are in the region of £9 million.</p> <p>Risk – The IJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p>Take action to comply with the stated reserves policy and bring the level of general reserves held into line with the Board target.</p> <p>Update the MTFP to reflect the impacts of COVID-19 at the earliest opportunity.</p> <p>Deliver planned changes and improvements to the operation of set aside as a matter of priority.</p> <p>Work with key partners to identify and act on further opportunities to deliver service transformation that will help shift the balance of care. These actions should be integrated into the planned changes to set-aside and into current and future service transformation projects where appropriate.</p>	<p>See action plan point 2 above.</p>
<p>5. Care at Home</p> <p>A report published by the Care Inspectorate during 2018/19 identified a number of concerns and areas for improvement regarding the IJBs Care at Home service.</p> <p>The IJB have developed a comprehensive improvement</p>	<p>The IJB should work with partners to address the findings of the Care at Home Service report, ensuring that responsibility and accountability is clearly defined to enable the IJB to monitor and review progress</p>	<p>Complete</p> <p>An unannounced inspection took place in June 2021 and ratings of good were noted across all areas inspected.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>plan to address the report findings.</p> <p>Risk – The issues identified within the Care Inspectorate report are not adequately addressed and no improvement is seen within the Care at Home service, impacting on the achievement of strategic priorities within the strategic plan.</p>	<p>and initiate remedial action if required.</p>	

Appendix 2

Significant audit risks identified during planning

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

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatements in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls.</p>	<p>Detailed testing of journal entries</p> <p>Assessment of the estimation methodology applied by the IJB and the reasonableness of the estimates contained in the financial statements.</p> <p>Focused testing (via partner bodies) of the regularity and cut-off assertions</p> <p>Evaluation of the assurances from the IJBs partner bodies' external auditors, who carry out testing of accruals and prepayments.</p>	<p>Significant journals processed by the IJB were reviewed, with no issues identified.</p> <p>No significant accounting estimates were made by the IJB in the preparation of annual accounts.</p> <p>Testing of regularity and cut-off assertions as well as accruals and prepayments was undertaken by the external auditors of the IJBs partner bodies. No issues were identified which would have an impact on the processing of IJB transactions or our audit approach.</p> <p>No evidence of management override of controls from the work performed.</p>
<p>2. Impact of additional funding due to COVID-19 on the financial statements</p> <p>The COVID-19 pandemic has resulted in significant financial pressures for the IJB. The Scottish and UK governments have</p>	<p>Assessed how the IJB had processed and controlled the additional funding and associated expenditure.</p> <p>Assessed how the additional funding and associated expenditure impacts on the financial statements.</p>	<p>The IJB regularly monitored and reported COVID-19 funding and associated expenditure to the IJB Board throughout the year.</p> <p>The IJB complied with the CIPFA/LASAAC guidance on accounting for COVID-19</p>

Audit risk	Assurance procedure	Results and conclusions
<p>announced a range of additional funding streams to support frontline services and help the organisation manage the financial pressures caused by COVID-19.</p> <p>This has also resulted in an associated increase in expenditure with some new expenditure streams. Total additional funding in 2020/21 for the IJB is expected to be in the region of £9.327 million. This additional income and expenditure includes a mixture of principal and agency transactions which are subject to different accounting considerations in the preparation of the financial statements.</p> <p>The IJB should ensure that any funding carried forward and recognised in the reserves balance does not include funding where they would be considered to be acting as the 'agent'.</p>	<p>Reviewed the annual report and accounts and considered how the additional funding and associated expenditure had been reported.</p>	<p>grants when accounting for the additional COVID-19 funding and associated expenditure.</p> <p>All additional funding and associated expenditure received in year by the IJB, can be considered 'principal' and as such has been recognised within the accounts.</p> <p>No evidence that the reserve balances carried forward to 21/22 incorrectly include funding where the IJB would be acting as agent.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>3. Financial Sustainability – short term</p> <p>The financial plan for 2021/22 outlines unfunded cost pressures of £4.38 million. The plan outlines savings identified to date of £522k and for budget phasing and in year pressure reserves to be utilised to a value of £1.419 million. This results in an in-</p>	<p>Reviewed the IJBs reported outturn position as part of the financial statements audit</p> <p>Assessed the delivery of in-year savings programs</p> <p>Reviewed the robustness of future savings plans identified</p>	<p>The IJBs final operational position as at 31 March 2021 was a net underspend of £5.759 million.</p> <p>The IJB savings target for 2020/21 was £2.4 million. This was fully funded by Scottish Government.</p> <p>Although the figures above paint a strong picture in the short term, this can be largely attributed to the impact</p>

Audit risk	Assurance procedure	Results and conclusions
<p>year funding gap of £2.4 million.</p> <p>There is a risk that ERIJB will be unable to achieve a sustainable outturn position going forwards, particularly given the uncertainty around COVID-19 and increasing service demands.</p>		<p>COVID-19 has had on the IJBs operational services and receipt of ring-fenced funding in year.</p> <p>There are a number of ongoing budget pressures over the coming years which are out with the IJBs control including the cost of drugs, Brexit and the required response to COVID-19.</p> <p>The IJB will potentially need a further £22 million of savings between 2022-2027 in order to deliver a balanced budget, as funding does not match the increasing demands on services and costs.</p>

Appendix 3

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

East Renfrewshire Integration Joint Board

2020/21 Annual Audit Report

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