
To: Renfrewshire Integration Joint Board Audit, Risk and Scrutiny Committee

On: 12 November 2021

Report by: Chief Finance Officer

Heading: Annual Audit Report on IJB Accounts 2020/21

1 Summary

- 1.1 Each year the IJB's external auditors (Audit Scotland) carry out an audit of the IJB's financial statements and provide an opinion as to whether those statements provide a true and fair view of the financial position of the IJB and its income and expenditure for the year; and also whether they have been prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.2 In accordance with International Auditing Standards (ISA260), Audit Scotland are obliged to report to those charged with the governance of the organisation, matters which have arisen in the course of the audit.
- 1.3 The attached report from Audit Scotland outlines their findings from the audit of the 2020/21 IJB's financial statements.
- 1.4 Under the Local Authority Accounts (Scotland) Regulations 2014, which came into force from 10 October 2014, the IJB must meet to consider the Annual Accounts and aim to approve those accounts for signature no later than 30 September immediately following the financial year to which they relate. In addition, any further report by the external auditor on the audited annual accounts should also be considered by the IJB (or a committee of the IJB whose remit includes audit & governance). However, for the 2020/21 Annual Accounts, due to the ongoing Coronavirus pandemic, additional flexibility in terms of the approval process for the audited accounts was provided under the Coronavirus (Scotland) Act 2020. In essence, each council (including IJB's as they are "section 106" bodies under the terms of the Local Government Scotland Act 1973) were permitted to set their own timetable for approval of the audited accounts; however, Scottish Ministers indicated in Finance Circular 10/2020 that they considered audited accounts should be published (and therefore approved by the IJB) no later than 30 November 2021.
- 1.5 In order to comply with these requirements, the audited financial statements will be presented to the IJB for approval at its meeting of 19 November 2021.
- 1.6 John Cornett (Audit Director) and Mark Ferris (Senior Audit Manager), both from Audit Scotland, will attend the IJB's Audit, Risk and Scrutiny Committee to speak to their report. The 2020/21 Annual Accounts were submitted to the IJB for approval on 25 June 2021 and then submitted for audit to Audit Scotland.

2 Recommendation

The IJB Audit, Risk and Scrutiny Committee is asked to:

- Note the Audit Scotland reports attached.

Implications of the Report

1. **Financial** – The financial statements demonstrate that the IJB has managed its financial affairs within the resources available.
2. **HR & Organisational Development** – none
3. **Community Planning** – none
4. **Legal** – An audit opinion free from qualification demonstrates the IJB's compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
5. **Property/Assets** – none
6. **Information Technology** – none
7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the IJB's website.
8. **Health & Safety** – none
9. **Procurement** – none
10. **Risk** – none
11. **Privacy Impact** – none.

List of Background Papers – None

Author: Sarah Lavers, Chief Finance Officer

Any enquiries regarding this paper should be directed to Sarah Lavers, Chief Finance Officer (Sarah.Lavers@renfrewshire.gov.uk / 0141 618 6824)

102 West Port
Edinburgh
EH3 9DN

8 Nelson Mandela Place
Glasgow
G2 1BT

The Green House
Beechwood Business Park North
Inverness
IV2 3BL

T: 0131 625 1500

E: info@audit-scotland.gov.uk

www.audit-scotland.gov.uk



Renfrewshire Integration Joint Board: Audit, Risk and Scrutiny Committee

12 November 2021

Renfrewshire Integration Joint Board Audit of 2020/21 annual accounts

Independent auditor's report

1. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to the receipt of a revised set of annual accounts for final review we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 19 November 2021, following Board consideration of the accounts (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of Renfrewshire Integration Joint Board in sufficient time to enable appropriate action. We present for the Audit, Risk and Scrutiny Committee's consideration our draft Annual Audit Report on the 2020/21 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Audit, Risk and Scrutiny Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Chief Finance Officer, as the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

9. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Chief Finance Officer with the signed annual accounts prior to the independent auditor's report being certified.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Renfrewshire Integration Joint Board and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Renfrewshire Integration Joint Board for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of Renfrewshire Integration Joint Board as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 7 January 2019. The period of total uninterrupted appointment is three years. I am independent of Renfrewshire Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to Renfrewshire Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Renfrewshire Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Finance Officer and the Audit, Risk and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing Renfrewshire Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit, Risk and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how Renfrewshire Integration Joint Board is complying with that framework;
- identifying which laws and regulations are significant in the context of Renfrewshire Integration Joint Board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Renfrewshire Integration Joint Board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

I have audited the part of the Remuneration Report described as audited. In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Statutory other information

The Chief Finance Officer is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit. ; or

- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Cornett FCPFA
Audit Director
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

xx November 2021

Appendix B: Letter of Representation (ISA 580)

John Cornett, Audit Director
Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear John,

Renfrewshire Integration Joint Board Annual Accounts 2020/21

1. This representation letter is provided in connection with your audit of the annual accounts of Renfrewshire Integration Joint Board for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Officer and the Board, the following representations given to you in connection with your audit of Renfrewshire Integration Joint Board's annual accounts for the year ended 31 March 2021 are complete and accurate.

General

3. Renfrewshire Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Renfrewshire Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements, including transactions in which Renfrewshire Integration Joint Board are considered to be acting as the 'principal'. Transactions where the Board are acting as an agent have been properly excluded from the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Renfrewshire Integration Joint Board at 31 March 2021 and the transactions for 2020/21.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All

accounting policies applied are appropriate to Renfrewshire Integration Joint Board's circumstances and have been consistently applied.

8. There are no significant accounting estimates included in the financial statements.

Going Concern Basis of Accounting

9. I have assessed Renfrewshire Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Renfrewshire Integration Joint Board's ability to continue as a going concern.

Fraud

10. I have provided you with all information in relation to

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

11. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

12. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all Renfrewshire Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

13. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

14. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

15. I confirm that the Renfrewshire Integration Joint Board has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

16. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is

consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

Balance Sheet

17. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed, including the additional funding allocated by NHS Greater Glasgow and Clyde Health Board in relation to waiting time activity.

Additional COVID-19 funding

18. Additional funding streams have been received from the Scottish and UK government within the financial year to help support frontline services and manage the financial pressures caused by the pandemic. This resulted in associated new expenditure streams. This funding and associated expenditure have been accounted for within 2020/21 financial statements in line with the LASAAC guidance published in May 2021 on accounting for coronavirus grants

This Letter was considered at the meeting of the Audit, Risk and Scrutiny Committee / Board
[*Delete as appropriate] held on xx November 2021.

Yours sincerely

Chief Finance Officer

Renfrewshire Integration Joint Board

Renfrewshire Integration Joint Board

2020/21 Annual Audit Report – Proposed



Prepared for Renfrewshire Integration Joint Board and the Controller of Audit
November 2021

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Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts of Renfrewshire Integration Joint Board (the IJB) are unmodified.
- 2 The Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial management and sustainability

- 3 The IJB returned a surplus of £17.489 million for the year. Taking account of specific funding earmarked for future use, and utilisation of existing reserves, the IJB generated an operational underspend of £8.111 million against a forecasted underspend of £5.624 million. This variance was mainly due to vacancies and staff turnover, and reduced service costs in some areas because of Covid-19.
- 4 The operational underspend has been utilised to increase uncommitted general reserves to 2% of net expenditure, in line with the IJB's reserves policy.
- 5 The medium-term financial plan will be updated in 2021/22 to reflect the impact of Covid-19 and other emerging issues. It will be updated alongside a refresh of the Strategic Plan to ensure both plans are aligned.
- 6 The IJB uses a scenario-based approach, to plan for a range of potential outcomes across its key financial risks and challenges, and the likely impact these could have on the financial sustainability of the organisation.
- 7 Future efficiency and transformation savings alone are unlikely to address any gap. The IJB should continue to work with partners to develop a revised financial strategy which ensures the IJB remains financially sustainable.

Governance, Transparency and Best Value

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

- 9** The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value.
- 10** The IJB has kept performance indicators and associated targets under review to ensure that these reflect the impact of Covid-19 on methods of service delivery and the associated outcomes. The IJB should continue to keep these under review, to ensure key indicators remain appropriate.

Introduction

1. This report summarises the findings from our 2020/21 audit of Renfrewshire Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan circulated to the members of the Audit and Risk Committee following the meeting on 12 March 2021. This report comprises the findings from:
 - an audit of the IJB's annual accounts including the issue of an independent auditor's report setting out my opinions
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
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 nationally for services, sickness absence levels and the delivery of planned projects and initiatives. Locally, risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our audit work at the IJB to address these risks.

Adding value through the audit

4. We add value to the IJB, through the audit, by:
 - having regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed
 - sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2020/21 accounts
 - making use of remote working to meet the revised 19 November 2021 audited annual accounts deadline ahead of the statutory deadline of 30 November 2020
 - 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.
5. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

- 6.** 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.
- 7.** 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.
- 8.** 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.
- 9.** Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.
- 10.** 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.
- 11.** 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

- 12.** 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.
- 13.** 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.
- 14.** 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 particularly given the ongoing difficulties of auditing remotely during the Covid-19 pandemic.

Part 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 Renfrewshire Integration Joint Board are unmodified.

The Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Our audit opinions on the annual accounts are unmodified

15. The annual accounts for the year ended 31 March 2021 were approved by the Board on 19 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 and were properly prepared in accordance with the financial reporting framework
- the Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The Covid-19 pandemic had limited impact on audit evidence

16. 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. 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 amended timescales permitted to reflect the impact of Covid-19

17. As a result of the continuing impact of Covid-19, the submission deadline for IJBs' audited annual accounts and annual audit reports have been extended to 30 November 2021.

18. The unaudited annual accounts were received in line with our revised agreed audit timetable on 15 June 2021. There has been limited impact of Covid-19 on the audit process. The physical limitations on access to records and systems did not impact on or delay the audit and IJB staff were supported in homeworking during the period of the outbreak.

Overall materiality is £3.9 million

19. 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 assessing materiality values.

20. 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.

21. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and we concluded no changes were required to our planned levels. Materiality is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£3.9 million
Performance materiality	£2.9 million
Reporting threshold	£0.2 million

Source: Annual Audit Plan 2020/21

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

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

We have no significant findings to report on the annual accounts

23. 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. We have no significant findings to report.

There were no unadjusted misstatements to report.

24. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements and there are no unadjusted misstatements to report.

Prior year recommendation has been implemented

25. The IJB has implemented our prior year audit recommendation as 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.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

The IJB has appropriate and effective financial management arrangements in place.

The IJB returned a surplus of £17.489 million for the year. Taking account of specific funding earmarked for future use, and utilisation of existing reserves, the IJB generated an operational underspend of £8.111 million against a forecasted underspend of £5.624 million.

The operational underspend has been utilised to increase uncommitted general reserves to 2% of net expenditure, in line with the IJB's reserves policy.

The medium-term financial plan will be updated in 2021/22 to reflect the impact of Covid-19 and other emerging issues. Future efficiency and transformation savings alone are unlikely to address any gap. The IJB should continue to work with partners to develop a revised financial strategy which ensures the IJB remains financially sustainable.

Financial management

26. As auditors, we need to consider whether the IJB has established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Finance Officer (CFO) has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within 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.

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

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

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

28. The IJB subsequently received its formal 2020/21 budget offer, in line with the interim budget offer made in March.

The IJB operated within budget in 2020/21

29. The impact on public finances of the Covid 19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing 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 will be felt well into the future.

30. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the CO and the CFO. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

31. The IJB delivered a significant underspend in 2020/21. This was achieved through a combination of:

- the flexible use of recurring and non-recurring resources
- a drawdown of earmarked reserves to deliver on specific commitments
- the delivery of approved savings through the Change and Improvement Programme
- other operational impacts of Covid-19 including; challenges in recruiting to key posts; a reduction in the number of Older People's Care Home admissions; reductions in prescribing costs.

32. Budget monitoring throughout 2020/21 has shown the IJB consistently projecting an underspend, prior to the transfer of balances to General and Earmarked reserves at the financial year end. This year-end transfer to reserves includes specific ringfenced monies, for example Scottish Government funding for the Primary Care Improvement Plan (PCIP), Mental Health Action 15 and ADP monies in line with Scottish Government Guidance.

33. The IJB approved the drawdown of reserves throughout 2020/21, in order to deliver on specific commitments including; funding the PCIP, Action 15 carry forward monies; Care at Home Scheduling System, and monies allocated for GP support. The total amount drawn down in 2020/21 was £1.446 million from earmarked reserves.

34. As detailed in the table below the IJB final position for 2020/21 is an underspend of £8.111 million, (See [Exhibit 2](#)).

Exhibit 2

Performance against budget

IJB budget summary	NHS Greater Glasgow & Clyde £m	Renfrewshire Council £m	Total £m	Total £m
Net funding contribution	230.819	104.573	(335.392)	
Total expenditure			317.903	
2020/21 surplus on the provision of services				(17.489)
Represented by:				
Funding received transferred to earmarked reserves				(10.824)
Earmarked reserves drawn down in year			1.446	
2020/21 operational underspend			(8.111)	
Underlying underspend				(6.665)

Source: Renfrewshire Integration Joint Board
Annual Accounts 2020/21

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

36. In 2020/21, funding of £21.670 million was received in respect of Covid-19 funding. A total of £14.077 million was spent responding to Covid-19; £5.035 million related to health services, and £9.042 million related to adult social care services leaving an unspent balance of £7.593 million. This unspent balance reflects funding received by the IJB in advance of need and has been placed in an earmarked reserve to address COVID-19 expenditure commitments in 2021/22. The balance of £7.593 million is included in the £10.824 million highlighted as the transfer to reserves in [Exhibit 2](#) above.

37. The 2020/21 Annual Accounts include £12.610 million of additional costs as a result of Covid-19. This has been fully funded by the Scottish Government and the assumption is that this will continue to be the case moving forward into 2021/22.

THE IJB has appropriate and effective financial management arrangements in place

38. Detailed and comprehensive budget monitoring reports were submitted to meetings of the IJB throughout 2020/21. The outturn to date and expected year-end outturn position were made clear within each report and the actual year-end position was in line with expectations.

39. Senior management and members receive regular and accurate financial information on the IJB's financial position. The IJB has appropriate budget monitoring arrangements.

40. Senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements.

Uncommitted general reserves are in line with the IJB's reserve strategy

41. 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 also to meet specific future commitments. The IJB aims to hold uncommitted general reserves equating to 2% of net expenditure.

42. At the beginning of the financial year, the IJB held uncommitted general reserves of £1.401 million. As a result of the operational underspend of £8.111 million in the 2020/21 financial year, the IJB transferred a further £4.380 million to the general reserve, increasing contingency reserves held to 2% of net expenditure in line with the IJB's Reserve Policy.

43. This will assist the IJB in dealing with the continuing challenges including future Covid-19 costs, potential financial implications of Brexit, inflationary pressures, and the ability to deliver on existing and further transformational

savings whilst responding to the COVID-19 pandemic. The uncommitted general reserves balance held at the end of the financial year totalled £5.781 million.

Financial sustainability

THE IJB's medium-term financial plan identifies a challenging financial outlook

44. 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. In November 2019, the IJB approved its Medium-Term Financial Plan (MTFP) 2020/21 to 2024/25, and, agreed to create a transformation reserve to support a 'step change' in the Partnership's change activity. As the MTFP was completed and approved by the IJB prior to the pandemic it could not anticipate the additional costs this created.

45. Activity in 2020/21 was primarily driven by the IJB's emergency response to the pandemic, with a focus on the delivery of essential and critical services. The IJB, where appropriate, reduced non-essential services and the transformation programme was paused in March 2020.

46. Nevertheless, the pandemic has accelerated how the IJB adapts to change and it has also allowed the IJB to progress some of the priorities within its Strategic Plan. The pandemic, and recent developments in national policy such as the Independent Review of Adult Social Care will further influence how services are delivered at a local level.

47. In November 2020 the IJB approved the Chief Finance Officer's Financial Outlook 2021/22. This report outlined the financial challenges for the IJB for 2021/22, taking into account the impact of Covid-19, and recommended the following actions in relation to the IJB's Medium Term Financial Strategy, including:

- remaining focused on the financial challenges facing the IJB and continuing to ensure decisions are taken to support medium and long-term financial sustainability
- continuing to work towards the IJB's agreed strategy to establish its targeted level of general reserves of 2%
- prudently progressing 2021/22 financial planning on the basis of a range of funding scenarios from partner organisations from a reduction of 1% to an increase of 2%.

48. The MTFP will be updated in 2021/22 to reflect the impact of Covid-19 and other emerging issues. It will be updated alongside the planned refresh of the Strategic Plan to ensure the vision and objectives of both plans remain aligned.

49. Meanwhile, the IJB's financial planning arrangements remain subject to active review using a scenario-based approach, continuing to plan for a range

of potential outcomes across its key financial risks and challenges, and the likely impact these could have on the financial sustainability of the organisation.

50. Projections for the period 2021/22 to 2025/26 include a wide range of assumptions in respect of key cost pressures and demand, highlighted a potential budget gap within a range of £46.5 million to £69.2 million.

51. This does not take into account potential additional funding for any pressures from either the Scottish Government or partner organisations and are prior to any mitigating action being taken.

52. The opening IJB reserves position for 2021/22 was £27.006 million. This figure is made up of earmarked reserves of £21.225 million to support the delivery of medium-term projects covering more than one financial year, and ring-fenced monies to allow the IJB to deliver on Scottish Government funded programmes.

53. It is important that in-year funding for specific projects and government priorities are earmarked to allow spend to be committed and managed in a way that represents best value for the IJB in its achievement of the national outcomes. This includes Mental Health, Primary Care and Alcohol and Drugs services and Covid-19 funding.

54. The Scottish Government have agreed a flexible funding approach for these priorities whereby these reserves are accessed first before any further funding is released. The level of funding to be carried forward via ear marked reserves is also reflective of the timing of when this funding was received, and the limitations in delivering full spend prior to the financial year end.

55. As part of ongoing activity in line with the Scottish Government's Remobilise, recover, re-design framework, NHS Greater Glasgow and Clyde Health Board has developed a third remobilisation plan (RMP3) to cover the period April 2021 to March 2022.

56. This plan has been developed across the health and care system, including primary care, secondary care and health and care services within the community. The plan builds on the detail provided in previous remobilisation plans and continues to be guided by Moving Forward Together (MFT) and seeks to continue to deliver on national priorities.

57. As part of this arrangement the Chief Finance Officer regularly provided estimated costs to the SG through the Local Mobilisation Plan.

58. The IJB's Recovery and Renewal Programme is focused on the recovery of services, and Renfrewshire communities, from the impact of the pandemic. The programme reflects on the changes required as a result of the pandemic, looks to build on the achievements in the response phase and supporting the restart and increased provision of services paused or stopped.

59. To support the programme, the Recovery and Renewal Steering Group was created earlier this year and now meets monthly. Its remit is to provide strategic governance and review progress, risks and issues and decision making.

60. Last year we highlighted that corporate ownership and engagement at all levels within IJB commissioned services would be a key factor in determining the success or otherwise of the Transformation Programme and the Recovery and Renewal Plan. It is essential that the Recovery and Renewal Steering Group identify and implement practical actions to take forward this programme and plan.

Recommendation 1

The Board, informed by the work of the Recovery and Renewal Steering Group should remain focussed on the financial challenges facing the IJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.

Efficiency plans continue to be developed

61. In June 2020, NHS Greater Glasgow and Clyde's draft Unscheduled Care Joint Commissioning Plan was submitted to the IJB and was reported to the Board in June 2020. This is a system wide plan that was developed, prior to the pandemic, by all six HSCPs within Greater Glasgow and Clyde in partnership with the NHS Board and Acute Services Division and in line with RIJB's Strategic Plan.

62. One key aspect of the unscheduled care work was learning from the pandemic, during which there had been a fall in unscheduled care activity. The GGC HSCP Delivery Group has oversight for the delivery of the Plan and is leading on the work currently underway to finalise its completion.

63. The review work aims to agree local targets for 2021/22 and 2022/23 and to consider the assumptions and spend within a Joint Commissioning Plan Financial Framework. It is expected that an update on this will be brought back to all IJBs within Greater Glasgow and Clyde in November 2021 for consideration.

Financial governance

Financial systems of internal control operated effectively

64. 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 the IJB has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

65. Almost all of the IJB's transactions are recorded by either NHS Greater Glasgow and Clyde Health Board (for health services) or Renfrewshire Council (for adult social care services) and are reported to the IJB on a monthly basis. The IJB 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 the IJB are processed on systems hosted by Renfrewshire Council.

66. Due to the reliance placed on partner bodies' internal controls by the IJB, as part of our audit approach we sought assurances from the external auditors of both the Health Board and Renfrewshire Council (in accordance with ISA 402) and confirmed there were no material weaknesses in the systems of internal controls at either body.

An updated Risk Management Framework was approved

67. During the year the IJB's Risk Management Framework was updated. The review considered the impact of Covid-19 on the IJB's risk management arrangements and its ability to tolerate and effectively manage a higher degree of risk over a prolonged period. A review of risk management approaches adopted by IJBs across Scotland was also undertaken to inform the further development of the Risk Management Framework. The proposed changes to the Framework were approved by the IJB in March 2021.

Internal audit

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

69. The internal audit function is carried out by the internal audit section within Renfrewshire Council. We carried out a review of the adequacy of the internal audit function and concluded it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

70. We consider internal audit report findings as part of our wider dimension work.

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

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

72. The IJB has effective arrangements in place for the prevention and detection of bribery and corruption including a Code of Conduct and Register of Interests for Board Members.

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 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 kept performance indicators and associated targets under review to ensure they reflect the impact of COVID-19 on methods of service delivery and the associated outcomes. The IJB should continue to regularly review these targets, to ensure key indicators remain appropriate.

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

73. The governance and transparency arrangements we consider include:

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

74. In March 2020, in response to the uncertainty and emerging guidance in respect of Covid-19, the IJB approved emergency governance arrangements, including delegating authority to the Chief Officer in consultation with the Chair and Vice Chair to make all decisions relating to the functions of the IJB.

75. This arrangement was approved by the IJB in June 2020, at which time additional meetings were agreed to be held in July and August 2020 were also agreed to allow regular updates on any emerging issues.

76. The Board is supported by one sub-committee, the Audit, Risk and Scrutiny Committee. The Board is also supported by the

- Chief Officer who provides strategic and operational advice to the Board; and
- Chief Finance Officer who is responsible for financial management including budget monitoring reports.

77. Board members are well informed on key issues and provide appropriate and robust challenge to management. The Board chair was effective in ensuring that discussions are translated into clear decisions to be agreed by the IJB.

78. The revised arrangements are appropriate and adequate under the current circumstances, and they support standards of governance and accountability. Meetings continue to be held in a virtual environment, in line with Scottish Government guidance for safer workplaces during the pandemic.

Changes in senior officers

79. There was a change in senior leadership in year as the Chief Officer left their post in December 2020 and a new Chief Officer was appointed on an interim basis until July 2021. This is the first significant change in senior management since the IJB was established.

80. Recruitment for a permanent Chief Officer took place in Summer 2021. Following a selection process the Appointment Panel has decided to appoint one of the Health and Social Care Partnership's Heads of Service as Interim Chief Officer for a period of 6 months beginning on 28 June 2021.

81. Audit Scotland's Local Government in Scotland Financial Overview 2019/20 report highlighted the challenges around senior officer recruitment and issues around the instability of leadership for IJBs. Whilst recognising the challenges, it is important that the IJB continues to look to secure a permanent Chief Officer to take forward the Recovery and Renewal Programme and Transformation Programme.

The formal review of the Integration Scheme has not been completed

82. The IJB has responsibility for the strategic planning and commissioning of a wide range of health and adult social care services. The delegated functions (under the Public Bodies (Joint Working) (Scotland) Act 2014} are detailed in the formal partnership agreement (the Integration Scheme) between the two parent organisations, Renfrewshire Council and NHS Greater Glasgow and Clyde Health Board.

83. Under the requirements of the Act, Local Authorities and Health Boards must review Integration Schemes within five years of the scheme being

approved in Parliament. On 19 February 2020, Renfrewshire Council's Leadership Board approved a revised version of the Integration Scheme for consultation. However, in light of the pandemic and associated disruption, the Health Board was unable to progress their statutory consultation of the revised Integration Scheme. Until this is completed the existing Integration Scheme will remain in place until this time.

THE IJB operates in an open and transparent manner

84. 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.

85. Due to the Covid-19 pandemic, all 2020/21 meetings have been held virtually and papers and minutes continue to be published on the website. From July 2020 onwards, all meetings have been recorded and are available for members of the public to view online.

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

Arrangements are in place to secure Best Value

87. Integration Joint Boards have a statutory duty to make arrangements to secure best value. To achieve this, IJBs should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions which are key components of securing best value in the provision of services and the use of resources.

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

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

90. The IJB also seeks to ensure best value through monitoring of service performance, the details of which are in the following section.

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

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

92. 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.

93. The IJB 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.

94. The Strategic Plan sets out the vision and future direction of community health and adult social work services in Renfrewshire. It outlines how the IJB will work with partners, taking account of national strategies and legislation, regional planning and partner body plans. It outlines three following key priorities, to deliver upon the national outcomes:

- improving Health and Wellbeing
- ensuring the people of Renfrewshire get the health and adult social care services they need: the right service, at the right time, in the right place
- working in partnership to support the person as well as the condition.

95. The 2021 annual performance report contains information on 35 key performance indicators (KPIs) assessed as red, amber or green on the basis of performance against a target. Despite the ongoing challenges over the year the results reported are broadly in line with those from 2019/20.

	2020/21	2019/20
Green	18	23
Amber	5	10
Red	12	9
Total	35	42

Review of adult social care services

96. 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.

97. The IJB has assessed the review and reported on this to the Board. The IJB continues to monitor developments as a result of the review and is actively

engaged in discussions around the implementation of the review with partners and stakeholders.

National performance audit reports

98. 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](#).

99. Comment and conclude on whether 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. Financial sustainability</p> <p>The MTFP will be updated in 2021/22 to reflect the impact of Covid-19 and other emerging issues. Projections for the period 2021/22 to 2025/26 include a wide range of assumptions in respect of key cost pressures and demand, highlighted a potential budget gap within a range of £46.5 million to £69.2 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>The board, informed by the work of the Recovery and Renewal Steering Group should remain focussed on the financial challenges facing the IJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.</p> <p>Paragraph 60</p>	<p>The IJB's final operational position as at the 31 March 2021 was a net operational underspend of £8.1m.</p> <p>Although this position puts the IJB in a relatively strong position in the short term, this is largely attributed to the impact COVID-19 had on the IJB's operational services including: challenges in recruiting to key posts; a reduction in the number of Older People's Care Home admissions; and reductions in prescribing costs, all of which contributed to the in-year underspend.</p> <p>However, over the next few years projections for the period 2021/22 to 2025/26 highlight a potential budget gap within a range of £46.5 million to £69.2 million. The IJB will therefore require to deliver a significant level of savings in order to deliver a balanced budget, as the estimated level of future funding increases are unlikely to match increasing demands on services and costs.</p> <p>A refreshed financial planning process was agreed by the HSCP SMT in August 2021, for savings to be delivered in 2022/23 and beyond, building on improvement opportunities identified from previous years. The updated process includes extended timescales for proposal development and full testing of</p>

Issue/risk	Recommendation	Agreed management action/timing
		ideas, increased oversight from SMT and visibility of agreed savings through a financial benefits management tracker, and increased support for Heads of Service to enable early course correction or risk management, where required.
		SMT
		Ongoing

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>2. Financial Sustainability</p> <p>THE IJB has a savings requirement of £2.619 million per the 2020/21 budget settlement. Ongoing cost and demand pressures of approximately £10 million per year are projected in the medium to long term, these will require additional savings as set out in the MTFP. These projections were made prior to the impact of Covid-19.</p> <p>The Covid-19 pandemic has introduced further financial challenges. The estimated additional cost of Covid-19 between March 2020 and March 2021 is £13.643 million.</p> <p>THE IJB's October 2020 Financial Report projects an overspend of £8.115m for the 2020/21 financial year based on the level of confirmed Covid-19 funding.</p> <p>Risk</p>	<p>1. The board should remain focussed on the financial challenges facing THE IJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.</p> <p>2. Work with key partners to identify and act on further opportunities to deliver service transformation that will help shift the balance of care. These actions should be integrated into the planned changes to set-aside and into current and future service transformation projects where appropriate.</p>	<p>Work is underway to develop savings proposals based on estimated funding positions. In line with previous years this will be subject to the Scottish Governments confirmation of 2021/22 budgets. It is anticipated that savings proposals will be submitted to the IJB for consideration and approval between Jan and March 2021</p> <p>Chief Finance Officer</p> <p>31 March 2021</p> <p>Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
The IJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.		

Appendix 2

Significant audit risks identified during planning

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

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Gain written assurance from partner bodies' auditors over journal entries and testing the completeness, accuracy and allocation of income and expenditure.</p> <p>Performed testing on transactions processed locally by THE IJB.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p> <p>Review of significant accounting estimates and judgements.</p>	<p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</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 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>Assess how THE IJB has processed and controlled the additional funding and associated expenditure.</p> <p>Assess how the additional funding and associated expenditure impacts on the financial statements.</p> <p>Review the annual accounts and consider how the additional funding and associated expenditure has been reported.</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 CIPFA/LASAAC guidance on accounting for Covid-19 grants when accounting for the additional Covid-19 funding and associated expenditure.</p> <p>The IJB have recognised only the funding and associated expenditure in the account</p>

Audit risk	Assurance procedure	Results and conclusions
<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 £21.7 million. This additional income and expenditure includes a mixture of principle 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>where they would be considered to be acting as the principal.</p> <p>Conclusion: No evidence that the reserve balances carried forward in 2021/22 incorrectly include funding where the IJB would be acting as the 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</p> <p>THE IJB is facing a number of financial pressures including pay inflation, increases in prescribing costs and increasing service demand. Covid-19 has also had a significant impact which is expected to continue into the coming years. Covid-19 caused delays to NHSGGC's budget process which resulted in the delegated health budget not being formalised until late 2020.</p> <p>The Financial Outlook 2021/22 paper presented at the November 2020 board meeting highlighted a funding</p>	<p>Reviewed and assessed the financial reports and papers such as budget monitoring reports, the 2021/22 budget, financial plans, savings plans and financial outlook papers.</p> <p>Concluded on the assumptions and judgements in financial reports and papers for reasonableness.</p>	<p>A review of budget monitoring reports and the financial statements highlight reserves have increased in year. It is anticipated that reserves will be used each year to 2022/23 to achieve financial balance.</p> <p>Conclusion: THE IJB continues to operate in a challenging financial climate, with pressures in delivering existing services with the current levels of resources. Management continues to review options and resources for the delivery of future services.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>gap of £47 million to £69 million between 2021/22 and 2025/26 if no additional funding is received or no mitigating actions are taken.</p> <p>The Recovery and Renewal paper presented to the November 2020 board meeting advised that agreed savings proposals for 2020/21 had been postponed at the start of the pandemic with £1.178 million of unachieved savings included in Covid-19 financial impact estimates. Transformational change activity was also paused in March 2020 and is not expected to deliver any savings in 2021/22.</p>		

Source: Audit Scotland AAP 2020/21

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](#)

Renfrewshire Integration Joint Board

2020/21 Annual Audit Report – Proposed

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: **info@audit-scotland.gov.uk**

www.audit-scotland.gov.uk