



Renfrewshire Health & Social Care Integration Joint Board

2015/16 Annual Audit
Report to members and
the Controller of Audit

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Key contacts

Brian Howarth, Assistant Director
bhowarth@audit-scotland.gov.uk

Anne McGregor, Senior Audit Manager
amcgregor@audit-scotland.gov.uk

Kenny McFall, Senior Auditor
kmcfall@audit-scotland.gov.uk

Audit Scotland
4th floor (South Suite)
8 Nelson Mandela Place
Glasgow
G2 1BT

Telephone: 0131 625 1500

Website: www.audit-scotland.gov.uk

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about/).

Brian Howarth, Assistant Director, Audit Scotland is the engagement lead of Renfrewshire Health and Social Care Integration Joint Board for the year 2015/16.

This report has been prepared for the use of Renfrewshire Health and Social Care Integration Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

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Key messages

Audit of financial statements

- We have completed our audit of the Renfrewshire Heath and Social Care Integration Joint Board and issued an unqualified independent auditor's report on the 2015/16 financial statements.

Financial management & sustainability

- The costs of providing integrated functions and managing the Board in the period from 27 June 2015 to 31 March 2016 totalled £267k. Costs were equally shared and fully funded by the partner organisations.
- The Scottish Government's timetable for confirmation of NHS budgets meant that Renfrewshire Heath and Social Care Integration Joint Board had to set its 2016/17 budget in advance of agreement of the health board's settlement.
- At the end of July 2016 Renfrewshire Heath and Social Care Integration Joint Board is projecting a £1.378 million overspend and at present there are no plans as to how savings can be achieved to bridge this gap in 2016/17.

Governance & transparency

- Important elements of the Board's governance framework were put in place in 2015/16: standing orders and financial regulations; appointment of internal auditors; a risk management strategy and risk register.
- Board papers are available on the Renfrewshire Council website.

Best Value

- The Board has approved a performance management framework as required by the Public Bodies (Joint Working) (Scotland) Act 2014
- The Board's annual strategic plan has not been agreed yet, due to the budget not being agreed. The plan outlines the partnership's vision, mission and values and the Board is working to the draft strategic plan.

Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland as external auditors of Renfrewshire Heath & Social Care Integration Joint Board. Our audit appointment is for the period to 31 March 2016, the first accounting period for which the Renfrewshire Integration Joint Board is required to prepare financial statements. The report is divided into sections which reflect our public sector audit model.
2. This report is a summary of our findings arising from the 2015/16 audit of Renfrewshire Heath & Social Care Integration Joint Board (the IJB).
3. Management is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
4. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
5. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility to prepare financial statements which give a true and fair view.
6. [Appendix I](#) lists the audit risks that we identified in the annual audit plan we issued in March 2016. It summarises the assurances provided by management to demonstrate that risks are being addressed and records the conclusions of our audit work.
7. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers considered the issues and agreed to take steps to address them. The Board should ensure it has a mechanism in place to assess progress and monitor outcomes.
8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2015/16 financial statements

Audit opinion	<ul style="list-style-type: none">• We have completed our audit and issued an unqualified independent auditor's report.
Going concern	<ul style="list-style-type: none">• The financial statements were prepared on the going concern basis.• We concur with management's view that the going concern assumption remains appropriate.
Other information	<ul style="list-style-type: none">• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

Submission of financial statements for audit

10. The financial statements were prepared in accordance with the Local Government (Scotland) 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
11. We received the unaudited financial statements of the IJB on 24 June 2016. This was in accordance with the timetable set out in our 2015/16 Audit Plan.
12. The working papers were of a good standard and finance staff provided good support to the audit team which assisted the delivery of the audit by the deadline.

Overview of the scope of the audit of the financial statements

13. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our 2015/16 Annual Audit Plan which was issued to the Chief Officer and Chief Finance Officer in March 2016.
14. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

15. During the planning phase of our audit we identified a number of risks and reported these to you in our Annual Audit Plan along with the work we proposed doing in order to obtain appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified and how we addressed each risk.
16. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Local Authority Accounts (Scotland) Regulations 2014

17. These regulations apply to the statutory annual accounts. Local Government Finance Circular 7/2014 provides guidance on how these regulations should apply. We noted that the IJB complied with the regulations.

Materiality

18. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
19. We summarised our approach to materiality in our 2015/16 Annual Audit Plan. We revised our planning materiality for 2015/16 on

receipt of the unaudited accounts to £2,670 (or 1% of gross expenditure).

those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

Evaluation of misstatements

- 20. The audit identified some presentational adjustments which were discussed and agreed with management. None of these had an impact on the statement of income and expenditure reported to the Board on 24 June 2016 when the unaudited accounts were presented for consideration.

Significant findings from the audit

- 21. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit. The following table details

Table 1: Significant findings from the audit

Significant findings from the audit in accordance with ISA260

Estimated printing costs

- 22. The accounts included £10k for printing costs for preparing the strategic plan. This cost was based on an estimate provided by finance staff. The amount is greater than materiality but we considered it to be reasonable.

Future accounting and auditing developments

Audit appointment from 2016/17

23. External auditors are appointed for a five year term either from Audit Scotland or a private firm of accountants. The procurement process for the new round of audit appointments was completed in March 2016. As a result of this process, Audit Scotland will be continuing as the appointed auditor for Renfrewshire Heath and Social Care Integration Joint Board for a five-year period commencing in 2016/17.

Code of Audit Practice

24. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It outlines the objectives and principles to be followed by auditors.
25. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all annual audit reports, annual audit plans and other significant audit outputs will be put on the website for all audited bodies.

Health and Social Care Integration

26. The IJB became operational on 1 April 2016 when delegated services transferred from NHS Greater Glasgow and Clyde and Renfrewshire Council. The financial results of Renfrewshire Heath and Social Care Integration Joint Board will require to be

consolidated into NHS Greater Glasgow and Clyde and Renfrewshire Council's financial statements in 2016/17.

27. Renfrewshire Heath and Social Care Integration Joint Board will have to ensure that procedures are in place for it to provide financial and non-financial information by a mutually agreed date to allow the council and health board to meet their statutory reporting obligations. In addition, Renfrewshire Heath and Social Care Integration Joint Board will need to consider what assurances are required from the council and health board systems to support disclosures in the annual financial statements.

Financial management and sustainability

Financial management

28. The Board does not have any non current assets and does not directly employ staff. All funding and expenditure relating to services managed by Renfrewshire Heath and Social Care Integration Joint Board is incurred by partner bodies and processed in their accounting records.
29. The Board is empowered to hold reserves. The reserves policy for the integration joint board set out the arrangements between the partners for addressing and financing any overspends or underspends.
30. The reserves policy will allocate resources it receives from Renfrewshire Council and NHS Greater Glasgow and Clyde in line with its strategic plan. Renfrewshire Heath and Social Care Integration Joint Board may also build up reserves year on year as a result of unanticipated underspends.
31. In the event of a forecast overspend, Renfrewshire Heath and Social Care Integration Joint Board may increase the payment to the overspending partner by utilising the balance on the general fund, if available.

Financial performance 2015/16

32. The Board incurred total running costs of £0.267 million in the period from its establishment on 27 June 2015 to 31 March 2016. This expenditure was fully funded by payments from Renfrewshire Council and NHS Greater Glasgow and Clyde; costs were shared equally.
33. The costs relating to the running of the financial ledger and other financial systems were provided by the council and health board for no consideration.

Financial management arrangements

34. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the Chief Finance Officer has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the Board
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
35. The Chief Finance Officer's appointment was ratified on 18 September 2015; she is responsible for ensuring that appropriate financial services are available to the Board and the Chief Officer.
36. We reviewed the standing orders and financial regulations, which were approved in September 2015 on the formation of Renfrewshire

Heath and Social Care Integration Joint Board. We have concluded that they are appropriate for the Board.

37. Budget monitoring reports were taken to each shadow board meeting from September onwards and we are satisfied with the arrangements Renfrewshire Heath and Social Care Integration Joint Board has put in place for monitoring performance against budgets going forward.

Financial sustainability

Financial planning

38. The process for determining the first year budget is set out in the integration scheme agreed between Renfrewshire Council and NHS Greater Glasgow and Clyde. The budget for 2016/17 was prepared before 1 April 2016 but not approved as the NHS budget is not approved until June each year. Renfrewshire Heath and Social Care Integration Joint Board has therefore operated without an approved budget for the beginning of the financial year. As the budget has not been approved, the strategic plan has not yet been approved.
39. The Chief Officer received details of the health allocation on 5 July 2016. This included a contribution of £70 million from Renfrewshire Council and a contribution of £142 million from NHS Greater Glasgow and Clyde.
40. There are risks to service delivery when operating without an agreed formally approved budget.

Refer action plan point 1

41. A review of the financial monitoring reports as at the end of July 2016 identified that the Renfrewshire Heath and Social Care Integration Joint Board is projecting a £1.378 million overspend and at present there are no plans as to how savings can be achieved to bridge this remaining gap. Renfrewshire Heath and Social Care Integration Joint Board requires to make total savings of £1.874 million in 2016/17, and has savings plans in place for £0.496 million leaving a gap of £1.378 million.
42. Balanced financial plans should be prepared in advance of the financial period to which they relate if there is to be a reasonable opportunity to realise necessary savings

Refer action plan point 2

43. Strategic plans, while setting out the broad direction, will need to be clear regarding the Board's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.

Governance and transparency

44. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with Board members drawn from a wide range of backgrounds.

Governance structures

45. Renfrewshire Heath and Social Care Integration Joint Board was formally established on 27 June 2015 and took on operational responsibility for delegated functions and budgets as from 1 April 2016. The Board has representation from a wide range of service users and partners. This includes four elected councillors nominated by Renfrewshire Council and four members nominated by NHS Greater Glasgow and Clyde.
46. A Chief Officer and Chief Finance Officer were appointed in 2015 and these appointments ratified at the Board meeting on September 2015. The Chief Officer provides strategic and operational advice to the Board while the Chief Finance Officer is responsible for financial management including budget monitoring reports.
47. The Board is responsible for the management and delivery of health and social care services in Renfrewshire, and is supported by the audit committee that considers audit related matters. The Board meets on a regular basis - every two months.

Strategic Plan

48. Legislation required the Board to approve a Strategic Plan by 31 March 2016 in order to take on operational responsibility for delegated functions and budgets. The Board approved their Strategic Plan on 18 March 2016, in line with legislation, but subject to approval of the budget.
49. A number of other important strands of the Board's governance framework were put in place in 2015/16. These were approved on 18 September 2015 and included:
- approval of standing orders
 - appointment of internal auditors
 - approval of financial regulations
 - approval of a risk management strategy and risk register.
50. We conclude that the Board has developed appropriate governance arrangements in place for in 2015/16.

Internal control

51. All financial transactions of Renfrewshire Heath and Social Care Integration Joint Board are processed through the financial systems of the partner bodies, Renfrewshire Council and NHS Greater Glasgow and Clyde. These financial transactions are subject to the same controls and scrutiny as the council and health board, including the work performed by internal audit.

52. As external auditor of both Renfrewshire Council and NHS Greater Glasgow and Clyde we were able to confirm that there were no weaknesses in the systems of control of the partner bodies that we require to bring to the attention of members of the integrated joint board.
53. Based on the available evidence we concluded that appropriate controls have been established during the period of the integrated joint board's existence in 2015/16.

Internal audit

54. At the Board meeting in September 2015 it was agreed that the Chief Internal Auditor role would be held by the Chief Internal Auditor of Renfrewshire Council and the Internal Audit Service would be provided by Renfrewshire Council's Internal Audit team.
55. We seek to rely on the work of internal audit wherever possible and as part of our routine planning process we carry out an early assessment of the internal audit function. Our review found that there are sound documentation standards and reporting procedures in place and these comply with the main requirements of the Public Sector Internal Audit Standards (PSIAS).
56. Internal audit completed a review of financial governance arrangements in March 2016. They provided overall reasonable assurance and the key risks noted include the need to continue to monitor the financial risks that have been identified through the due diligence process. A recommendation was made to ensure that the

risk registers are comprehensive, transparent and regularly monitored.

Other governance arrangements

57. The Board are committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The Strategic plan and locality planning arrangements enable partners to engage in and support the delivery of the plan.

Transparency

58. Local residents should be able to hold the Board to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.
59. Full details of the meetings held by the Board are available through the Renfrewshire Council website, where access is given to all committee papers and minutes of meetings. The Board receives regular financial monitoring reports which are clear and concise.
60. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited accounts be published on the website of the authority until the date that the audited annual accounts are published. The unaudited accounts were available through Board minutes, and were also published on the authority's website. The 2014 Regulations also require the body to publish an inspection notice and we confirmed the inspection notice was published within the required timescale.

Outlook

61. The Board needs to ensure robust governance arrangements are in place to ensure it performs effectively and is held to account for its decisions. We are satisfied that arrangements are in place for the first operation year but may require further development and refinement as the Board evolves.

Best Value

62. In order to achieve Best Value, the Board should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

Performance management

63. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
64. The performance management report for the year was submitted to the Board meeting on 18 March 2016. The paper included a performance report which outlined the latest performance of the IJB as at the end of December 2015 in relation to a range of key performance indicators across health and social care services.
65. A Performance Management Framework for 2016/17 was provided to the Integration Joint Board in June 2016.
66. The Chief Officer has responsibility for the operational management and performance of services delegated by Renfrewshire Council and NHS Greater Glasgow and Clyde, with the exception of acute services. The Chief Officer should also ensure that processes are in place to fulfil legislative requirements (e.g. preparation of an annual performance report). Further reports on progress will be provided to the Board as the performance management system evolves.

67. Members will continue to receive Integration Joint Board Performance Reports on a quarterly basis. These reports will be presented to the Board and made available online.
68. We have concluded that the Board is progressing in implementing the performance management arrangements required under the Act. However, these arrangements are still to be fully embedded.

National performance audit reports

69. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest; two of which are outlined below:
70. **Changing models of health and social care report (March 2016):** This report says that transformational change is required to meet the Scottish Government's vision to shift the balance of care to more homely and community-based settings. One of the key findings in the report was that the shift to new models of care was not happening fast enough to meet the growing need, and the new models of care that are in place are generally small-scale and are not widespread.
71. **Health and Social Care Integration (December 2015):** This report reviewed the progress made to establish new integration authorities, which will be responsible for planning joint health and social care services and managing budget totalling over £8 billion by 1 April 2016. The report highlighted that evidence suggests that integration joint boards will not be in a position to make a major impact during 2016/17. However, many integration joint boards have still to set out

clear targets and timescales showing how they will make a difference to people who use health and social care services.

72. The Chief Finance Officer reviews Audit Scotland reports, for example, the Health and Social Care Integration report (December 2015) was submitted to the Board in January 2016 for information and noting.

Outlook

73. Renfrewshire Health and Social Care Integration Joint Board, working with Renfrewshire Council and NHS Greater Glasgow and Clyde, has a key role to play in ensuring delivery of that Scottish Government's 2020 Vision. This aims to enable everyone to live longer, healthier lives at home or in a homely setting.

Appendix I: Significant audit risks

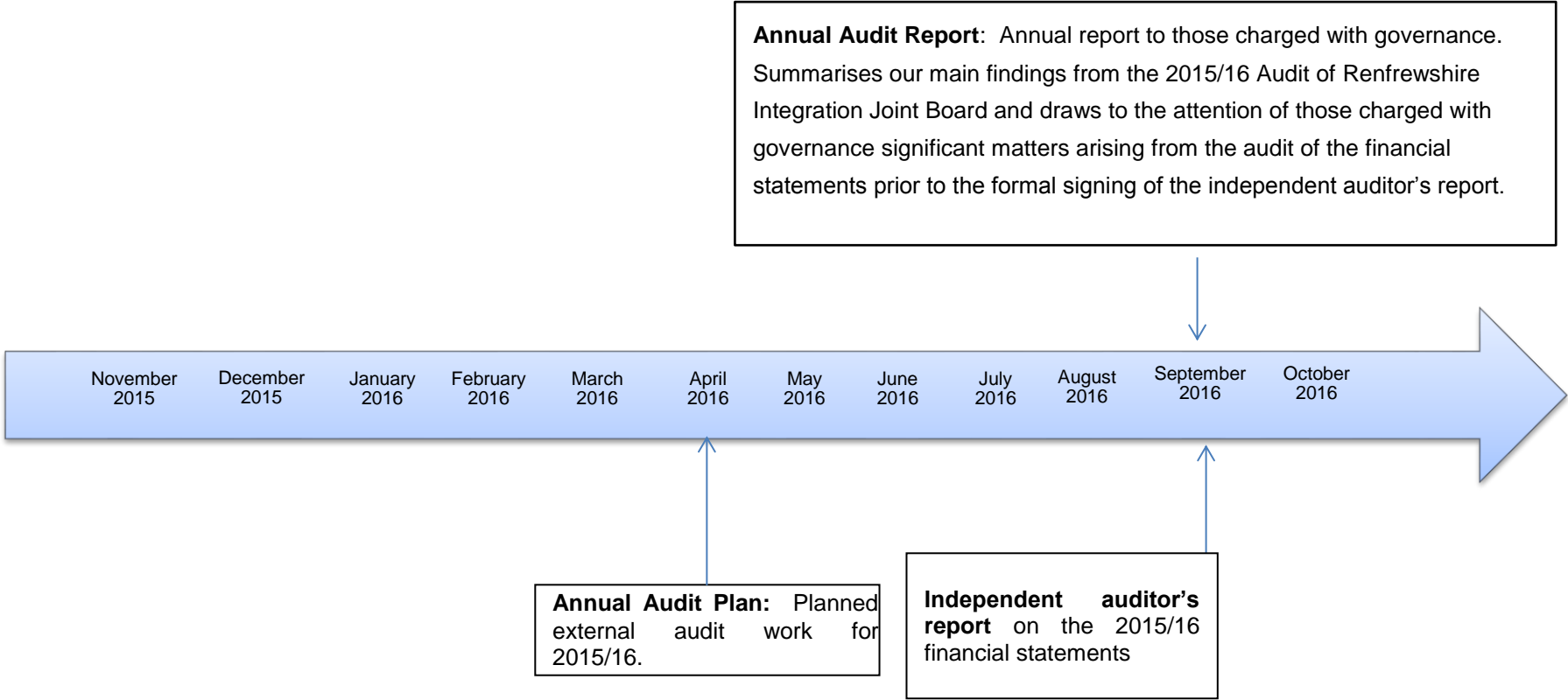
The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement in the financial statements		
<p>Financial Statements</p> <p>Statements for the IJB are being prepared for the first time in 2015/16. As further guidance emerges on the subject, uncertainties at present include</p> <p>The application of IRAG guidance to the financial statements layout and accounting entries</p> <p>New staff/team are preparing the accounts</p> <p>Preparation and allocation of senior officer costs/ board members/ pension costs in the remuneration report</p> <p>Development of a management assurance framework to support the governance statement.</p> <p>There is a risk that procedures are not fully embedded to enable agreement of all transactions and balances between each body and that this may not be agreed in time to enable Renfrewshire Integration Joint Board to meet its statutory deadline for approving and reporting its annual accounts by 30 June 2016.</p>	<ul style="list-style-type: none"> • Clarification of account timescales and processes. • Review the unaudited financial statements for compliance with Integrated Resources Advisory Group (IRAG) guidance • Early agreement and testing of transactions and balances by the respective external audit teams of RC and NHS Greater Glasgow and Clyde. 	<ul style="list-style-type: none"> • The accounts were received before the 30 June deadline per the 2014 LA Regulations • The Board’s financial statements were prepared in accordance with the requirements of the Code and IRAG guidance • Our testing did not identify any significant issues to be reported to those charged with governance

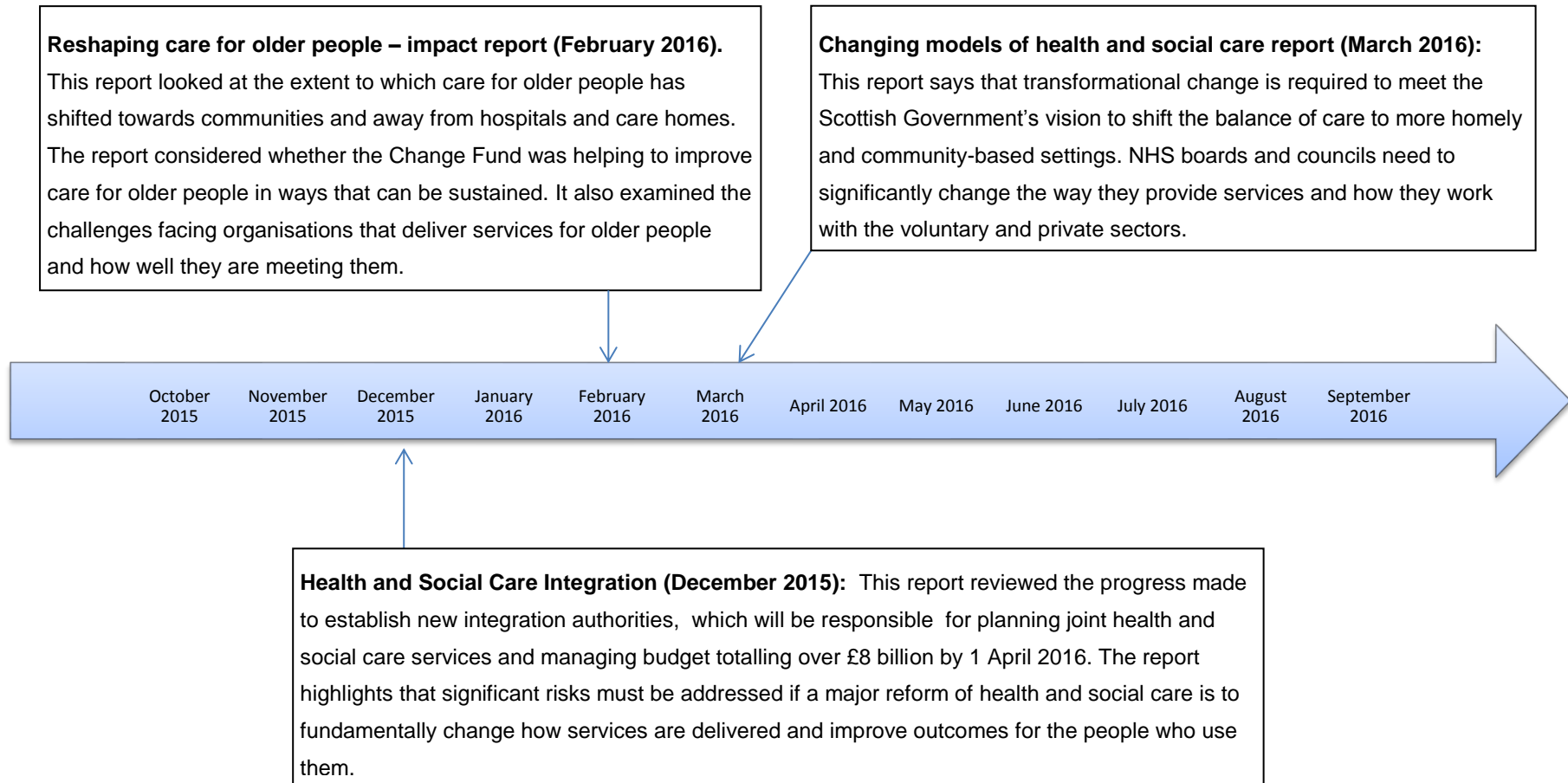
Audit Risk	Assurance procedure	Results and conclusions
<p>Management Assurances</p> <p>The IJB income and expenditure is processed through the existing systems of Renfrewshire Council and NHS Greater Glasgow and Clyde and maintained on their respective ledgers. Therefore, the Chief Finance Officer must have adequate assurance that information received from each of these bodies is accurate and complete.</p> <p>There is a risk that the assurance framework to support the governance statement is not adequate.</p>	<ul style="list-style-type: none"> • We will seek ISA402 assurances from each host body auditor, covering the appropriate systems and including results of controls and substantive testing. • We will consider the assurances provided and any impact of issues on our audit approach. 	<ul style="list-style-type: none"> • Reviewed annual governance statement disclosures and assurance framework. • Our controls testing of Renfrewshire Council systems found no material weaknesses in the internal control systems. • No material weaknesses in the accounting and internal control systems were identified as part of the audit of NHS GG&C.
<p>Management Override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. ISA 240 states that audit procedures should be responsive to risks related to management override of controls.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Evaluation of any significant transactions that are outside the normal course of business 	<ul style="list-style-type: none"> • Our journals testing noted no issues • All accounting estimates were considered reasonable • There were no applicable significant transactions outside the normal course of business

Audit Risk	Assurance procedure	Results and conclusions
<p>Part year operation of the IJB</p> <p>The IJB came into being on 27 June 2015 and any costs/ incomes will need to reflect this part year operation. This may mean allocating or apportioning costs on a suitable basis. There is a risk that the apportionment is not appropriate.</p>	<ul style="list-style-type: none"> We will agree and verify the application and accuracy of any apportionment of salaries and other costs 	<ul style="list-style-type: none"> Staff costs were apportioned for the period from 27 June to 31 March 2016. We have no issues over the apportionment of costs to report

Appendix II: Summary of Renfrewshire Health and Social Care IJB local audit reports 2015/16



Appendix III: Summary of Audit Scotland national reports 2015/16



Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	41	<p>Budget not approved</p> <p>Currently, the IJB is operating without a fully approved budget and therefore without an approved strategic plan.</p> <p>Operating without a fully approved budget makes financial management and decision making more difficult and may negatively affect the quality of service delivery.</p> <p>Recommendation</p> <p>Discussions should continue to ensure a budget and strategic plan for 2016/17 is approved as a matter of urgency.</p>	<p>The budget and strategic plan will be approved once funding arrangements for projected overspend are clarified.</p>	<p>Chief Officer /Chief Finance Officer</p> <p>30 September 2016</p>
2.	44	<p>Savings gap</p> <p>The IJB requires to make savings of £1.9 million in 2016/17 and has savings plans in place for £0.5 million leaving a gap of £1.4 million.</p> <p>The IJB may not be able to deliver all the savings required in 2016/17 to maintain financial balance.</p> <p>Recommendation</p> <p>Balanced financial plans should be prepared in advance of the financial period to which they relate if there is to be a reasonable opportunity to realise necessary savings.</p>	<p>The Chief Finance Officer has recommend to the Board that Renfrewshire Heath and Social Care Integration Joint Board should request an additional one-off payment by NHSGGC to fund any identified shortfall.</p>	<p>Chief Officer/ Chief Finance Officer</p> <p>30 September 2016</p>