



Meeting of East Renfrewshire Health and Social Care Partnership	Performance and Audit Committee
Held on	26 June 2022
Agenda Item	6
Title	Draft Response to EY Letter
<p>Summary</p> <p>As part of their audit process Ernst & Young have issued a letter to the Chair of the Performance & Audit Committee: "Understanding how the Performance and Audit Committee gains assurance from management". The letter is included as Appendix 1.</p> <p>A draft response has been prepared by the Chair of the Performance & Audit Committee and the Head of Finance & Resources (Chief Financial Officer). The draft response is included as Appendix 2.</p> <p>Members of this committee are asked to review the proposed response and provide and feedback or comment prior to submission of the response, which is due by 31st July 2023.</p>	
Presented by	Lesley Bairden, Head of Finance and Resources (Chief Financial Officer)
<p>Action Required</p> <p>The Performance and Audit Committee is requested to review the proposed response and provide and feedback or comment prior to submission of the response, which is due by 31st July 2023</p>	

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Councillor Katie Pragnell
Performance and Audit Committee Chair
East Renfrewshire IJB
Rouken Glen Rd
Glasgow
G46 6UG

15 May 2023

Email: RJones9@uk.ey.com

Dear Katie,

Understanding how the Performance and Audit Committee gains assurance from management

Auditing standards require us to formally document our understanding of your arrangements for oversight of management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

1) How does the Performance and Audit Committee, as 'those charged with governance' at East Renfrewshire IJB, exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in East Renfrewshire IJB, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the East Renfrewshire IJB code of conduct);
- encouraging employees to report their concerns about fraud; and
- communicating to you the processes for identifying and responding to fraud or error?

2) How does the Performance and Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

3) Is the Committee aware of any:

- breaches of, or deficiencies in, internal control; and
- actual, suspected or alleged frauds during 2022/23?

4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?

5) How does the Performance and Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2022/23?

6) Is the Performance and Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?

7) How does the Performance and Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

8) What does the Performance and Audit Committee consider to be the related parties that are significant to East Renfrewshire IJB and what is its understanding of the relationships and transactions with those related parties?

9) Does the Performance and Audit Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?

Thank you for your assistance. We should be grateful if you could provide a response to this letter by 31 July 2023.

If you have any queries in respect of this letter, please contact Grace Scanlin (Senior Manager) at Grace.Scanlin@uk.ey.com.

Yours sincerely

Rob Jones
Partner
For and on behalf of Ernst & Young LLP

1) How does the Performance and Audit Committee, as ‘those charged with governance’ at East Renfrewshire IJB, exercise oversight of management’s processes in relation to:	
<ul style="list-style-type: none"> undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments) 	<p>The IJB relies on the processes and controls implemented by our partner organisations with regards to fraud and the HSCP adheres to partner policies. The IJB itself does not have a bank account - all transactions are operated through our partner's systems. As the IJB is a Section 106 body the balance sheet is held within our partner ERC ledger and account. However as assurance management considers the fraud risk with specific reference to the HSCP transactions and the associated IJB accounts. In support of this, the Performance & Audit Committee (PAC) receives update reports on internal audit work carried out in both partner organisations. The risk of material error is considered in the production of the accounts, through controls in place and through review by both internal and external auditors.</p>
<ul style="list-style-type: none"> identifying and responding to risks of fraud in East Renfrewshire IJB, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist 	<p>Risks are identified and responded to by HSCP management. Internal audit work will include fraud risk and make recommendations for improving controls where appropriated and this may result from planned work or by request from HSCP management. Recommendations are then implemented by management and reported to PAC.</p>
<ul style="list-style-type: none"> communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the East Renfrewshire IJB code of conduct) 	<p>The HSCP follows the relevant guidance of our partner organisations. In the event of any specific concerns internal audit would be notified immediately. Staff within the HSCP are required to comply with the relevant partner policies, code of conduct, financial regulations etc. that set out expectations and responsibilities. Relevant training is available through both partner organisations. The intranet within each partner provides relevant guidance.</p>
<ul style="list-style-type: none"> encouraging employees to report their concerns about fraud 	<p>The culture within the HSCP promotes openness and transparency, which in turn creates an environment where staff are able to report any concerns to their manager. The management team within the HSCP also have a very strong working relationship with our staff side colleagues. Both organisations also have whistleblowing policies and audit can be contacted directly too.</p>
<ul style="list-style-type: none"> communicating to you the processes for identifying and responding to fraud or error 	<p>Any area of high risk would be considered by Internal Audit and reported to PAC. In the event of any specific concern the Chairs of both PAC and IJB will be notified immediately.</p>

<p>2) How does the Performance and Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?</p>	<p>Internal control processes are in place to mitigate fraud across a range of service delivery areas and associated processes and subject to either planned or requested regular audit review. PAC receive assurances through reports to that committee along with reports taken to the IJB and seminars held throughout the year. Examples include:</p> <ul style="list-style-type: none"> • Annual audit plan and in year reports • External audit of the annual report and accounts with associated governance and assurance statements • Regular strategic risk register reports <p>In addition to the information reported to PAC the Chief Officer and her management team have responsibility to sign off annual governance checklists with each partner and in the event of any issues PAC would be advised.</p>
<p>3) Is the Committee aware of any:</p>	
<ul style="list-style-type: none"> • breaches of, or deficiencies in, internal control 	<p>There are no issues in 2022/23 and our audit progress reports show an update to reach meeting of PAC of all open audit recommendations, which will include any areas where internal controls could be strengthened</p>
<ul style="list-style-type: none"> • actual, suspected or alleged frauds during 2022/23 	<p>There are no actual or suspected frauds that we are aware of in 2022/23. There is however an ongoing police investigation into an issue raised in a prior year and on conclusion detail will be reported.</p>
<p>4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?</p>	<p>PAC and the IJB are aware of the challenging financial landscape of the IJB. There is an expectation across the HSCP that all staff will contribute to the delivery of savings. However this is unlikely to lead to any individuals falsifying accounting or other records.</p> <p>Our Performance reporting throughout the year provides trend analysis and any anomalies should manifest.</p>

<p>5) How does the Performance and Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2022/23?</p>	<p>Senior Management horizon scan for new and changing laws and regulations and any likely change is usually discussed at length within the management team and with respective professional peer groups and partners.</p> <p>The legal implications of IJB papers are considered, alongside any statutory duties. The IJB Standards Officer will also provide advice and guidance on any constitutional matter.</p>
<p>6) Is the Performance and Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?</p>	<p>There are no such claims in 2022/23.</p> <p>PAC and the IJB would be informed of any likely litigation and the implications for the IJB and / or the HSCP.</p>
<p>7) How does the Performance and Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?</p>	<p>Despite the challenging financial landscape the IJB set a balanced budget for 2023/24, albeit predicated on the delivery of significant savings with progress reported to the IJB.</p> <p>The Medium Term Financial Plan sets out scenarios for future years and recognises the ultimate position is dependent on the budget settlement from the Scottish Government and funding decisions taken by our partner organisations.</p>
<p>8) What does the Performance and Audit Committee consider to be the related parties that are significant to East Renfrewshire IJB and what is its understanding of the relationships and transactions with those related parties?</p>	<p>The related parties significant to the constitution of the IJB and PACC are NHS Greater Glasgow and Clyde and East Renfrewshire Council and the constitutional documents and the Integration Scheme between those parties set out the relationships, roles and expectations.</p> <p>The transactions form part of the “everyday business” of the HSCP and both PAC and IJB receive reporting on a wide range of areas throughout the year. The annual report and accounts for the IJB also includes detail of related parties within the accounting policies and the related parties note.</p>
<p>9) Does the Performance and Audit Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?</p>	<p>There are no concerns relating to relationships or transactions at this time.</p>

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