

# Glasgow City Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Glasgow City Integration Joint Board and the Controller of Audit

21 September 2018

## Who we are

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

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



## About us

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

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

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

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# Key messages

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## 2017/18 annual accounts

- 1 In our opinion, Glasgow City Integration Joint Board's financial statements give a true and fair view and were properly prepared.
- 2 The management commentary, audited part of the remuneration report, and annual governance statement were consistent with the financial statements and were prepared in accordance with proper accounting practices.

## Financial management and sustainability

- 3 The IJB has appropriate and effective budgetary processes and arrangements in place which provide timely and reliable information for monitoring financial performance.
- 4 The net cost of delivering health and social care services to the residents of Glasgow City in 2017/18 was £1,156.023 million. This resulted in an underspend of £12.066 million against allocated funding.
- 5 This underspend has been transferred into reserves, and has been earmarked for specific purposes, in line with the IJB's approved reserves policy.
- 6 The IJB has a savings target of £16.964 million for 2018/19. A number of challenges also exist including the ending of the prescribing risk sharing arrangement with NHS Greater Glasgow and Clyde. This will present the IJB with a challenging financial environment in which to deliver services within its available funding.

## Governance, transparency and value for money

- 7 The IJB has appropriate governance arrangements in place, providing a framework for effective organisational decision making and to support good governance and accountability.
- 8 The IJB commissions its home care and associated services from Cordia (Services) LLP, a Glasgow City Council ALEO. Cordia is to be wound up, with functions and staff transferring back into the council by 30 September 2018. This is a short timeframe and the IJB should continue to engage with the council to ensure that the commissioning of homecare services is not impacted during the restructure.
- 9 The IJB published its annual performance report in June 2018, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

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# Introduction

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1. This report is a summary of our findings arising from the 2017/18 audit of Glasgow City Integration Joint Board (the IJB).

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

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

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## Exhibit 1

### Audit dimensions



Source: *Code of Audit Practice 2016*

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

- a review of the IJB's main financial systems
- an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
- consideration of the four audit dimensions.

4. 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.

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

### **Adding value through the audit**

12. Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance, and by identifying areas of improvement and recommending/encouraging good practice. 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.
13. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual accounts



### Main judgements

**In our opinion, the IJB's financial statements give a true and fair view and were properly prepared.**

**The management commentary, audited part of the remuneration report and the annual governance statement were consistent with the financial statements and were prepared in accordance with proper accounting practices.**

### Audit opinions on the annual accounts

**15.** The annual accounts for the year ended 31 March 2018 were approved by the board on 19 September 2018. We reported within our independent auditor's report that, in our opinion:

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

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

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

### Submission of annual accounts for audit

**17.** We received the unaudited annual accounts on 20 June 2018 in line with our agreed audit timetable.

**18.** Financial information was provided to the IJB from the partner bodies in a timely manner in order to allow them to produce the annual accounts before the statutory deadline. The IJB's partner bodies provided letters of assurance to the IJB, confirming the completeness and accuracy of the figures provided.

**19.** The IJB also submitted financial information to NHS Greater Glasgow and Clyde for consolidation purposes, in order for the health board to meet its statutory deadline of 30 June 2018 for its annual report and accounts.

**20.** The working papers provided with the unaudited annual accounts were of a good standard and the Chief Officer (Finance and Resources) and the Assistant Chief Officer (Finance) both provided good support to the audit team which helped ensure the audit process ran smoothly.

### Risks of material misstatement

**21.** [Appendix 2](#) provides a description of those assessed risks of material misstatement and wider dimension risks that were identified during the audit planning process, how we addressed these and our conclusions. These risks had

the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team.

## Materiality

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

**23.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#). The recalculated values were not significantly different to those calculated during the planning stage, and therefore did not have an impact on our audit approach.

## Exhibit 2

### Materiality values

Materiality level	Recalculated level
Overall materiality – 1% of gross expenditure for year ended 31 March 2018	£12.920 million
Performance materiality – calculated at 65% of overall materiality	£8.400 million
Reporting threshold – calculated at 5% of overall materiality, capped at £100,000	£100,000

Source: Audit Scotland

## Evaluation of misstatements

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

## Significant findings from the audit in accordance with ISA 260

**25.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. There was one significant finding arising from the 2017/18 audit, relating to the accounting treatment of hosted services, as detailed in [Exhibit 3](#).

**26.** Our findings include our views about significant qualitative aspects of the board's accounting practices including:

- Accounting policies
- Accounting estimates and judgements
- Significant financial statements disclosures
- Timing of transactions and the period in which they are recorded
- The impact on the financial statements of any uncertainties
- The effect of any unusual transactions on the financial statements



- Misstatements in the annual report and accounts
- Disagreement over any accounting treatment or financial statements disclosure

## Exhibit 3

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Hosted Services - Restatement</b></p> <p>There are six IJBs in the NHS Greater Glasgow and Clyde area. Each IJB hosts certain services on behalf of the other IJBs and receives funding from partners towards the cost of providing the service. The agreed arrangement is that where an IJB hosts a service, that IJB is responsible for the effective management of that service. Any overspend on the provision of the hosted service is the responsibility of that IJB, and any underspend is retained by the hosting IJB.</p> <p>In 2016/17, an adjustment was made to the annual accounts to eliminate the cost of services hosted on behalf of others, and to account for the cost of the services that are hosted on the IJB's behalf. This implied that the hosting IJB was acting as an agent.</p> <p>Following review of this arrangement, officers determined that the arrangement in place was in fact one where the hosting IJB acts as a principal in the transaction. Where an entity is acting as a principal, the full costs of the service should be reflected in the annual accounts.</p>	<p>Hosted services have been accounted for as a principal arrangement in the 2017/18 financial statements. The 2016/17 comparative figures in the annual accounts have been restated to reflect the revised accounting arrangements. This has resulted in an increase to the prior year net expenditure in the Comprehensive Income and Expenditure Statement of £17.766 million, and a corresponding increase in the taxation and non-specific grant income. The net impact on the 2016/17 surplus on the provision of services as a result of the restatement is nil.</p> <p>A disclosure note has also been added to the financial statements explaining this change in treatment between financial years.</p> <p>We have reviewed management's accounting treatment of hosted services, including the additional narrative disclosures, as part of our 2017/18 financial statements audit work and have concluded that it is in accordance with accounting requirements.</p>

## Other findings

**27.** Our audit identified a number of presentational and disclosure issues in the unaudited financial statements. These were discussed with management and were adjusted for and subsequently reflected in the audited financial statements.

**28.** We identified one error above our reporting threshold of £0.1 million. The capital financing costs included in the unaudited financial statements were understated by £0.282 million. This was subsequently adjusted by management and has been reflected in the audited financial statements. The impact of this adjustment was to increase the net cost of services by £0.282 million, with a corresponding increase in taxation and non-specific grant income. There was no impact on the IJB's surplus for the year as a result of this adjustment.

## Good practice in financial reporting

**29.** Audit Scotland published a good practice note, '[Improving the quality of local authority accounts – integration joint boards](#),' in April 2018. We have considered the IJB's accounts against this note and concluded that the accounts reflect elements of good practice. We noted improvements in the presentation of the annual accounts in 2017/18, in particular within the management commentary.

## Follow up of prior year recommendations

**30.** We have followed up actions agreed in 2016/17 to assess progress with implementation. These are reported in [Appendix 1](#). In total, two agreed actions were reported in 2016/17, and both matters have now been addressed.

# Part 2

## Financial management and sustainability



### Main judgements

The IJB has appropriate and effective budgetary processes and arrangements in place which provide timely and reliable information for monitoring financial performance.



The net cost of delivering health and social care services to the residents of Glasgow City in 2017/18 was £1,156.023 million. This was an underspend of £12.066 million against allocated funding.

The IJB has a savings target of £16.964 million for 2018/19. A number of challenges also exist including the ending of the prescribing risk sharing arrangement with NHS Greater Glasgow and Clyde. This will present the IJB with a challenging financial environment in which to deliver services within its available funding.

### Financial management

**31.** Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the board's responsibility to ensure that its financial affairs are conducted in a proper manner.

**32.** 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 Officer (Finance and Resources) 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, including on significant budget variances.

**33.** We reviewed the financial regulations and standing orders that are in place within the IJB and consider these to be comprehensive and fit for purpose.

**34.** The board receives financial monitoring reports each period, outlining expenditure against budget in the delivery of the health and social care services as described within the IJB's strategic plan. Budget changes made during the period

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

and explanations for key variances against budget are detailed in the monitoring reports. Budget monitoring reports are also reviewed at each meeting of the IJB's Finance and Audit Committee. Improvements have been made to the budget monitoring reports in 2017/18, and each period the reports detail the amount of reserves to be drawn down to fund expenditure along with the amount available to be transferred into reserves at year end.

## Systems of internal control

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

**36.** As part of our audit approach, and in accordance with ISA 402, we sought assurances from the external auditors of NHS Greater Glasgow and Clyde and Glasgow City Council and confirmed there were no weaknesses in the systems of internal control for those bodies, specifically around the systems relied on by the IJB.

## Financial performance in 2017/18

**37.** The IJB does not hold any assets, nor does it directly incur expenditure on or employ staff, other than the Chief Officer and the Chief Officer (Finance and Resources). All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

**38.** The IJB's financial statements show an underspend of £12.066 million against its funding allocation for 2017/18, as detailed in [Exhibit 4](#). The full underspend has been taken to reserves and earmarked for specific purposes in 2018/19.

## Exhibit 4

### Performance against budget

2017/18 IJB budget outturn summary	NHS Greater Glasgow and Clyde £m	Glasgow City Council £m	Total £m
Funds Allocated	777.690	390.400	1,168.090
Total Expenditure			1,156.024
<b>Variance</b>			<b>12.066</b>

Source: 2017/18 Glasgow City Integration Joint Board Annual Accounts

**39.** The IJB also utilised £7.551 million of reserves that had been earmarked in 2016/17 for future use. When taking into account the drawdown of these reserves, an underspend position of £19.617 million was realised. The detailed movement in the IJB's general fund reserve is illustrated at [Exhibit 5](#).

**40.** The main reasons for the underspend relate to the early delivery of planned efficiencies such as an underspend within Children's Services (£2.577 million), non-utilisation of budgeted contingency (£1.725 million) and commitments made in

year that will not be realised until future years. These commitments include funding received for the delivery of local and national priorities including Primary Care and Mental Health Transformation (£12.412 million).

## Reserves strategy

**41.** Reserves are an integral part of the medium and longer term financial planning of the IJB and its financial sustainability. A reserves policy was approved by the board in December 2016 and reserves are held by the IJB as a contingency to mitigate the impact of unanticipated overspends and also to meet specific future commitments. When determining the target level of reserves to be held, the IJB considered the strategic, operational and financial risks it faces in the medium term. Based on the size and scale of the IJB, the board set a target level of unallocated general reserves at 2% of net expenditure.

**42.** The IJB's underspend in 2017/18 was transferred into earmarked reserves, with no contribution to unearmarked reserves in year. The balance of the IJB's unallocated contingency remains at £7.429 million, carried forward from 2016/17. This equates to 0.6% of the IJB's net expenditure in year, and although this is a slight reduction in percentage terms from 2016/17, the IJB continues to make progress towards its longer-term target of 2%.

## Exhibit 5

### 2017/18 General fund reserve

2017/18 general fund movements in reserves	Unallocated contingency £m	Earmarked for specific use £m	Total general fund balance £m
Balance at 1 April 2017	7.429	11.880	19.309
Increase in 2017/18		19.617	19.617
Reserves utilised in 2017/18		(7.551)	(7.551)
<b>Balance at 31 March 2018</b>	<b>7.429</b>	<b>23.946</b>	<b>31.375</b>

Source: 2017/18 Glasgow City Integration Joint Board Annual Accounts

## Savings requirement

**43.** NHS boards and councils have faced several years of financial constraints and this is expected to continue in future years. The aging populations and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets. This puts further pressure on IJB finances and resources.

**44.** The maintenance of a sound financial position going forward is dependent on achieving significant savings to bridge the gap between available funding from current sources and the cost of services.

**45.** The IJB requires to make savings to maintain financial balance. In 2017/18, the IJB agreed savings plans totalling £18.615 million. At the end of the financial year, the IJB had delivered savings of £17.850 million, 96% of target. For 2018/19, the combined savings target for the IJB is £16.964 million, and a savings programme was approved by the IJB in May 2018.

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.

## Homecare services

**46.** Cordia (Services) LLP (Cordia), an Arm's Length External Organisation (ALEO) of Glasgow City Council, provides a wider range of services including facilities management, hospitality and care services. In 2017/18 it budgeted to return a surplus of £3.5 million to the council, generated across all service provision, however this was not achieved.

**47.** The IJB commissions homecare and associated services from Cordia. Homecare services are commissioned from Cordia at a fixed price, with the financial risk around overspending on service provision currently borne by Cordia. Following a decision by the council to bring Cordia services in-house, the existing contractual arrangement will be replaced from the end of September 2018. Under the new arrangements, the IJB will commission homecare and associated services from the in-house service, however it will no longer be protected from financial pressures relating to the delivery of these services.

## Prescribing pressures

**48.** From 1 April 2018, the prescribing risk sharing agreement between NHS Greater Glasgow and Clyde and the six IJBs in the health board area is no longer in place. Previously, any over or underspend on the IJB's prescribing budget was retained within the health board, with the IJB recognising a breakeven position against its prescribing budget. A number of factors have increased pressures on prescribing budgets recently, including national price increases, the extent of off-patent savings being achieved, and price rises due to short supply. As a result of the risk sharing agreement no longer being in place, the IJB may experience increased financial pressures from 2018/19 onwards.

**49.** The prescribing pressure, per the financial allocation from NHS Greater Glasgow and Clyde, was forecast to be £5.401 million for 2018/19. This was subsequently revised downwards to £3.130 million due to an improvement to the forecast. When agreeing a balanced budget for 2018/19, the IJB included £2.271 million as a specific contingency within the prescribing budget in order to protect against the volatility of price fluctuations.

**50.** IJB officers hold regular meetings with prescribing colleagues at NHS Greater Glasgow and Clyde and receive monthly reports in order to monitor prescribing costs and the delivery of prescribing financial savings against targets set.

## Financial planning

**51.** The IJB allocates the resources it receives from the health board and council in line with its strategic plan. The current strategic plan was approved by the board in March 2016, and covers the period 2016-2019.

**52.** The IJB underspent by £12.066 million in 2017/18. This has been transferred into reserves, and will be used to fund projects in 2018/19 and future years.

**53.** The board considered the 2018/19 financial allocations and budgets at its meeting in March 2018 and conditionally accepted these, pending further discussions with Glasgow City Council regarding the allocation of corporate savings to the IJB, and the formal budget offer received from NHS Greater Glasgow and Clyde. Updated allocations and budgets of £411.843 million to Glasgow City Council and £653.321 million to NHS Greater Glasgow and Clyde, along with associated savings programmes, were subsequently approved in May 2018.

**54.** When setting the 2018/19 budget, the IJB utilised its in-built contingency of £2.850 million to address specific pressures faced in 2018/19, including £2.1 million to cover unallocated health board savings from prior years. Utilising the full contingency budget at this early stage will require financial performance to be closely managed throughout the financial year.

**55.** The Chief Officer (Finance and Resources) presented an update on the IJB's medium term financial planning to the February 2018 meeting of the Finance and Audit Committee. This paper outlined the financial pressures that would impact on the IJB's budget on future years, and the financial planning assumptions made over the medium term. Based on these assumptions, the IJB will need to deliver annual savings of 4% per annum, equating to £89 million of savings, to deliver a balanced budget over the three-year period from 2019/20 to 2021/22.

**56.** In June 2018, Internal Audit reported that the IJB's three-year strategic plan only contained one year's financial information. The Integrated Resource Advisory Group (IRAG) guidance suggests that the partner organisations should aim to provide IJBs with an indicative three-year allocation (subject to annual approval). Current financial planning arrangements are limited to a one-year financial budget, which increases the risk that the budget is not aligned to the strategic plan deliverables.

**57.** Work is currently underway to prepare a three-year financial plan, and it is anticipated that this will be reported to the IJB early in 2019. The refreshed strategic plan will also include three years' worth of financial information.

## Set aside

**58.** Set aside is the amount of budget attributable to the IJB in respect of the delegated services that are carried out in an acute or large hospital setting. The 2017/18 set aside of £120.803 million is a notional amount based on the average of 2013/14 and 2014/15 acute hospital activity, with a 1% uplift applied.

**59.** The Scottish Government issued statutory guidance to Directors of Finance at NHS boards on set aside process for 2017/18 and outlined expectations going forward around improvements to the process for making allocations to integration authorities. The Director of Finance of NHS Greater Glasgow and Clyde responded to the Scottish Government in June 2018, on behalf of the six integration authorities in their area, setting out progress to date. A working group was established in 2017 and involves representatives from NHS Greater Glasgow and Clyde and the IJBs within the geographical area, along with Scottish Government representatives and Information Services and Planning staff.

**60.** The group are currently developing datasets which will be used to establish baseline costs for set aside on a cost per bed day tariff, alongside a methodology for quantifying changes based on projected bed capacity. An accountability framework, to be agreed by Glasgow City and the five other IJBs, will be drawn up to clarify the relevant risk sharing arrangements. This framework will be informed by joined up commissioning plans across the IJBs. We will monitor progress in developing these arrangements as part of the 2018/19 audit.

## Other matters

### Review of assisted garden maintenance

**61.** The IJB currently spends £1.290 million annually on assisted garden maintenance, which is delivered to approximately 15,000 residents across the city. A review is currently underway to ensure that this service is only provided to those who are eligible to receive assistance, with the potential of realising savings in this area. Further updates will be provided to the IJB throughout 2018/19.

# Part 3

## Governance, transparency and value for money



### Main judgements

The IJB has appropriate governance arrangements in place, providing a framework for effective organisational decision making and to support good governance and accountability.



The IJB commissions its home care and associated services from Cordia (Services) LLP, a Glasgow City Council ALEO. Cordia is to be wound up, with functions and staff transferring back into the council by 30 September 2018. This is short timeframe and the IJB should continue to engage with the council to ensure that the commissioning of homecare services is not impacted during the restructure.

The IJB published its annual performance report in June 2018, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

### Governance arrangements

**62.** The IJB has 32 members and is comprised of 16 voting members; eight elected members of Glasgow City Council and eight non-executive members of NHS Greater Glasgow and Clyde as well as a number of professional members and stakeholder representatives. The board is responsible for the strategic planning, management and delivery of the health and social care services delegated to it in line with the integration scheme in place between Glasgow City Council and NHS Greater Glasgow and Clyde.

**63.** The board is supported by a Finance and Audit Committee, a Performance Scrutiny Committee and a Public Engagement Committee, as well as its management team, including the Chief Officer, the Chief Officer (Finance and Resources) and the Chief Social Work Officer.

**64.** As the IJB developed, it was acknowledged that there was an increasing volume of reports being taken to the board; a combination of those requiring approval and decision, and those for information and noting only. Large agendas impact on the availability of time for scrutiny and challenge by members. To address this, in September 2017 the IJB revised its committee structure and terms of reference for committees. The revised committee structure creates additional capacity within the IJB's committees, freeing up more time for the board to focus on strategic matters and policy development.

**65.** The Executive Committee was re-designated as a Performance Scrutiny Committee and meets on a quarterly basis. The Performance Scrutiny Committee focuses on the operational matters directly linked to service delivery including performance management, professional and clinical governance, and updates on progress on key pieces of work. The reconstituted Executive Committee will now only discharge functions of the IJB as required when urgent, between meetings of the board.

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



**66.** The board and its committees meet on a regular basis throughout the year. We review the minutes and papers of all board and Finance and Audit Committee meetings in order to assess their effectiveness. In addition, we periodically attend and observe meetings of the board and Finance and Audit Committee.

**67.** We concluded that overall, the board has appropriate governance arrangements in place and they provide a framework for effective organisational decision making, continuing to support good governance and accountability.

## Transparency

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

**69.** Full details of the meetings held by the IJB are available through the Glasgow City Health and Social Care Partnership website. Board and committee papers, along with minutes of meetings, are publicly available and members of the public are permitted to attend and observe scheduled meetings. Public notice of each meeting is given on the website.

**70.** Overall, we concluded that the IJB conducts its business in an open and transparent manner.

## Internal audit

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

**72.** The internal audit function is carried out by the internal audit department of Glasgow City Council. We carried out a review of the adequacy of the internal audit function and concluded that it operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

**73.** To avoid duplication of effort, we place reliance on the work of internal audit wherever possible. We did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements audit work. However, we did consider internal audit's findings in respect of our wider dimension audit responsibilities, including their reviews of:

- the IJB's risk management arrangements
- the IJB's financial planning
- the strategic plan and compliance with the integration scheme
- the adequacy of the arrangements in place for providing directions to NHS Greater Glasgow and Clyde and Glasgow City Council.

**74.** Internal audit has developed good working arrangements with the IJB's partner bodies in order to facilitate information sharing relevant to the audit of the IJB. We reported in our 2016/17 annual audit report that although the arrangements in place between the IJB's internal auditors and the partner bodies for information sharing and rights of access were working well, there was scope to formalise those arrangements to ensure continued access and information sharing, should these arrangements change going forward.

**75.** From 1 April 2018, Scott Moncrieff took over the internal audit function at NHS Greater Glasgow and Clyde. We have been advised that, following appointment of the new internal audit provider, a meeting was held between the IJB internal

auditors and health board officers to clarify expectations, and that internal audit plan to meet with the health board's new internal auditors in the near future in order to discuss the working arrangements going forward.

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

**76.** The IJB has a range of activities in place that are designed to maintain standards of conduct, including Codes of Conduct for members. In addition, a register of interests is in place for board members and senior officers and these are available to view on the Glasgow City Health and Social Care Partnership website.

**77.** As part of the assurances we obtain from the external auditors of NHS Greater Glasgow and Clyde and Glasgow City Council, it was confirmed that both the partner organisations had in place effective policies for bribery and corruption, including established whistleblowing procedures for officers.

**78.** The arrangements for the prevention and detection of bribery and corruption are satisfactory and we are not aware of any specific issues that require to be brought attention to in this report.

## Other governance arrangements

### Glasgow City Council Family review – Cordia (Services) LLP

**79.** The IJB commissions homecare services from Cordia, a Glasgow City Council Arm's Length Organisation (ALEO). As part of a review of its ALEOs, Glasgow City Council approved the winding up of Cordia, with the functions and staff due to transfer back to the council by 30 September 2018.

**80.** Homecare and associated services will be transferred into the council's social work services department. Given that social work services have been delegated to the IJB, these homecare and associated services will also be managed through the IJB.

**81.** The Chief Officer and the Chief Officer (Finance and Resources) are engaging with the council to understand the implications and impact, financial and otherwise, of the transfer, and to ensure the infrastructure required for HR, business support and finance functions are in place in time for the transfer.

**82.** The deadline of 30 September 2018 is a short timeframe given the scale of the transfer and it is important that the commissioning of homecare services which the IJB is responsible for is not impacted by this restructure.



### Recommendation 1

**The IJB should continue to engage with Glasgow City Council to understand the implications and impact of the transfer, and to ensure the required infrastructure is in place in time for the transfer of services from Cordia to Glasgow City Council.**



[Recommendation 1 \(refer Appendix 1, Action Plan\)](#)

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## Refresh of Strategic Plan

**83.** The IJB is required to produce a strategic plan for health and social care services, and to direct the council and health board to deliver those services as per the plan. The Public Bodies (Joint Working) (Scotland) Act 2014 prescribes that the

plan be reviewed at least every three years. The current strategic plan covers the period 2016-2019, and the process for refreshing the plan is ongoing. The IJB has established a working group, chaired by the Head of Business Development and attended by those officers expected to be most heavily involved in the IJB's activity, to develop the plan. The current strategic planning structure includes the following six strategic planning groups:

- older people
- disabilities
- mental health
- addictions
- carers
- homelessness.

**84.** Related structures in Children's Services, Criminal Justice, Health improvement and housing are integral to the operations of the IJB. The IJB therefore approved the designation of housing, health and social care as a strategic planning group at its meeting in March 2018.

**85.** Internal audit carried out an audit of the arrangements in place to review the current strategic plan, and reported their findings to the June 2018 meeting of the Finance and Audit Committee. They found that:

- governance processes are in place for the review
- there are documented arrangements outlining the key stages, roles and responsibilities through the process
- timelines are in place to ensure that the refreshed strategic plan will be approved by the deadline of April 2019.

**86.** The IJB continues to work with NHS Greater Glasgow and Clyde and Glasgow City Council to ensure that the strategic priorities of the partner bodies are aligned with the IJB's strategic plan. Further updates on progress towards the refreshed strategic plan will be taken to the IJB in due course.

### Information Sharing Protocol

**87.** As reported in our 2016/17 Annual Audit Plan, the IJB was required to revise the original information sharing protocol (ISP) in place between Glasgow City Council and NHS Greater Glasgow and Clyde to a tri-partite agreement. This was due to be completed and approved by the IJB and its partner bodies within three months of establishment of the IJB (February 2016).

**88.** We were advised in January 2018 that this review had not yet been completed, but that any revision of the ISP would have to take into account the requirements of the new General Data Protection Regulation. We reported the risk of existing arrangements for information sharing being out of date, and information being shared inappropriately.

**89.** Management have advised that work is still progressing to revise the existing ISP.



## Recommendation 2

**The IJB should complete the update of the ISP as a matter of priority, to ensure that information sharing arrangements are up to date and fit for purpose, and to mitigate the risk of information being shared inappropriately.**



[Recommendation 2 \(refer Appendix 1, Action Plan\)](#)

## General Data Protection Regulation

**90.** The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. All EU member states must implement the Regulation in the same way. GDPR has introduced new and significantly changed data protection concepts leading to a new UK Data Protection Act 2018, which replaced the UK Data Protection Act 1998. A report was taken to the May 2018 meeting of the IJB that provided an overview of the changes and outlined the impact of the GDPR on the IJB and its related processes. At this meeting, the IJB agreed to:

- establish a records management plan and to submit this by September 2018 (although the national timetable was subsequently revised to January 2019, the IJB is currently developing its records management plan)
- create a privacy statement, outlining what personal data the IJB processes and why, the legal basis for processing, how this information is stored and retained and with whom it is shared
- appoint a Data Protection Officer.

**91.** Although the IJB considered the changes to these regulations, consideration was given in the month they came into force. Therefore, it is important that arrangements are put in place timeously to ensure the IJB is compliant with the requirements of the regulations. We will review the arrangements in place at the IJB for compliance with the GDPR as part of our audit work in 2018/19.

## Value for money and performance management

**92.** Best Value (BV) duties apply to accountable officers across the public sector. As part of this year's audit, IJB auditors have looked at how the IJB demonstrates that it is meeting its BV duties. The audit findings included throughout this report comment on arrangements that have been put in place by the board to secure best value in areas such as financial position, financial management and governance arrangements.

**93.** The IJB continues to progress with its transformation programme, which is monitored by an Integration Transformation Board, chaired by the IJB's Chief Officer. Delivery of savings associated with the Transformation Programme is reported regularly to the IJB and the IJB's Finance and Audit Committee through budget monitoring reporting. In year, transformation programmes were approved in respect of Older People, Children's Services and Adult Services. A total of 96% of the budgeted transformation programme savings in 2017/18 were achieved. We will keep this area under review over the five-year audit appointment and will report as appropriate.

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

**95.** In addition to the scrutiny of performance by locality management teams, the IJB's Finance and Audit Committee scrutinises the IJB's performance and receives performance reports on a quarterly basis. These reports are publicly available within the committee papers on the Glasgow City Health and Social Care Partnership website. The IJB also maintains a strategic overview of performance, with regular performance updates received.

**96.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. The Public Bodies (Joint Working) (Content of Performance Reports) (Scotland) Regulations 2014 sets out the required content of the annual performance report. The legislation requires the report to cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan, if applicable.

**97.** The annual performance report for 2017/18 was submitted to the board meeting in June 2018. The report included sections on delivering the IJB's key priorities, locality planning, financial performance and a performance summary. We have concluded that the IJB's annual performance report meets the requirements of the legislation.

**98.** The strategic plan identifies five key priorities that are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice. The IJB reports quarterly on a range of local and national indicators to evidence progress made in relation to the nine national health and wellbeing outcomes, as well as the board's own strategic priorities:

- early intervention, prevention and harm reduction
- providing greater self-determination and choice
- shifting the balance of care
- enabling independent living for longer
- public protection.

**99.** The performance report includes a full list of the key performance indicators reported to the IJB, comparing current, prior year (2016/17) and baseline (2015/16) performance. A red/amber/green system is used to monitor performance. There are a number of areas where the IJB is performing well in relation to the baseline data, including the number of people in supported living services, the number of children in high cost placements, and delayed discharges, as illustrated in [Exhibit 6](#).

## Exhibit 6

### Delayed discharges, 2016/17 to 2017/18

Indicator	2016/17	2017/18	Decrease	% Decrease
Total number of Acute Bed Days Lost to Delayed Discharge (Older People 65+)	15,557	10,982	4,575	29%
Total number of Acute Bed Days lost to Delayed Discharge for Adults with Incapacity (Older People 65+).	6,050	2,098	3,952	65%
Number of days people aged 75+ spend in hospital when they are ready to be discharged, per 1,000 population	464	321	143	30%

Source: 2017/18 Glasgow City Integration Joint Board Annual Performance Report

**100.** The IJB also acknowledged a number of areas where improvement is required, and intends to incorporate these into the refreshed strategic plan for 2019-2022. Examples of the areas for improvement include:

- Unscheduled Care – working with NHS acute services to reduce the number of inappropriate A&E attendances and emergency hospital admissions
- Children’s Services – increase the percentage of young people in aftercare in employment, education or training
- Criminal Justice – increase the percentage of community payback order work placements commenced within seven days of sentence.

### National performance audit reports

**101.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published a number of reports, some of which may be of direct interest to the board. These are outlined in [Appendix 3](#) accompanying this report.

**102.** The first of three national reports looking at the integration of health and social care was published in December 2015. This report recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and social care services and over £8 billion of public money. The second report in this series is due to be published in November 2018, now integration authorities are more established. The second report looks at their progress and follows up on the risks identified in the first report. The second audit also examines changes to the system, including evidence for shifts in service delivery from acute to community based and preventative services, and for impact on the lives of local people.

**103.** The IJB has appropriate arrangements in place for considering and reviewing national reports, including developing and following up on any locally agreed actions for reports such as Audit Scotland’s [“NHS in Scotland 2017.”](#)

# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Transfer of services</b></p> <p>As a result of the council family review, Cordia, one of the council's ALEOs, is to be wound up, with the services currently delivered by Cordia transferred back into the council.</p> <p>The IJB currently commissions homecare services from Cordia at a fixed price. Once the new arrangements are in place, this will become a commissioning arrangement with Glasgow City Council.</p> <p>The transfer of services is due to be completed by 30 September 2018, which is a short timeframe.</p> <p><b>Risk</b></p> <p>Delays in implementing appropriate infrastructure arrangements impact on the delivery of homecare services commissioned by the IJB.</p>	<p>The Chief Officer and the Chief Officer (Finance and Resources) should continue to engage with the council to understand the implications and impact of the transfer, and to ensure the required infrastructure is in place in time for the transfer.</p> <p><a href="#">Paragraph 82</a></p>	<p>Appropriate officers, including the Chief Officer and the Chief Officer (Finance and Resources), have been identified and are actively engaged in a number of workstreams to support the transfer of services to Glasgow City Council.</p> <p><b>Chief Officer, and Chief Officer (Finance and Resources)</b></p> <p><b>30 September 2018</b></p>
2	<p><b>Information sharing protocol</b></p> <p>As reported in our 2017/18 annual audit plan, a tri-partite information sharing protocol (ISP) between the IJB, NHS Greater Glasgow and Clyde and Glasgow City Council was due to be completed and approved by the health board, council and IJB within three months of the IJB's establishment. This has yet to be finalised.</p> <p><b>Risk</b></p> <p>There is a risk that the existing arrangements are out of date and information could be shared inappropriately.</p>	<p>The IJB should ensure that the ISP is updated and approved to ensure that it is up to date and fit for purpose, and to mitigate the risk that information is shared inappropriately.</p> <p><a href="#">Paragraph 89</a></p>	<p>Work is progressing to finalise the ISP.</p> <p><b>Chief Officer (Finance and Resources)</b></p> <p><b>30 September 2018</b></p>



No.	Issue/risk	Recommendation	Agreed management action/timing
<b>Follow up of prior year recommendations</b>			
1	<p><b>Budget setting and savings targets</b></p> <p>The 2017/18 financial allocation from the health board was not agreed until September 2017, 6 months into the financial year. Specific issues around a proportional share of unachieved savings from 2015/16 have still to be resolved for future years. Delays in agreeing final allocations with partners hinder the effectiveness of financial planning and service delivery.</p> <p><b>Risk</b></p> <p>Uncertainty and delays around financial allocations puts pressure on service delivery and performance, and may result in a balanced budget not being delivered.</p>	<p>The IJB should seek early engagement with the health board to resolve outstanding issues around a proportional share of unachieved savings beyond the 2017/18 financial plan.</p>	<p>The IJB's share of the unachieved savings from 2015/16 have been funded from the recurring contingency budget.</p> <p>This arrangement will remain in place for future years.</p> <p><b>Conclusion: Actioned</b></p>
2	<p><b>Internal audit protocols</b></p> <p>Current protocols around information sharing are not formalised and rely on established relationships between partner bodies.</p> <p><b>Risk</b></p> <p>The IJB may not have access to relevant internal audit reports and information from partner bodies.</p>	<p>The IJB should consider formalising current internal audit protocols and arrangements with partner bodies to ensure continued access and information sharing between bodies.</p>	<p>Tender documentation issued as part of the re-tendering process for NHS Greater Glasgow and Clyde (NHSGGC) internal audit services noted that <i>“where their work is of relevance to Integration Joint Boards (IJBs), the Contractor may be called on to give appropriate assurances to the IJB Chief Internal Auditor”</i>.</p> <p>Following appointment of the new internal audit provider for NHSGGC, a meeting was scheduled in August 2018 between the IJB internal auditors and NHSGCC officers to clarify expectations and protocols in relation to internal audit co-operation.</p> <p><b>Conclusion: Actioned</b></p>



# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p>1 <b>Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Review of assurances from the IJB's partner bodies' external auditors, who carry out testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>All journals processed by the IJB were reviewed, with no issues identified.</p> <p>The accounting estimates made in the preparation of the annual accounts were reviewed and considered reasonable.</p> <p>Testing of accruals and prepayments was carried out by the external auditors of the IJB's partner bodies. No issues were identified which would have an impact on the processing of IJB transactions or our audit approach.</p> <p>No significant transactions outside the normal course of business were identified during the audit process.</p> <p>No fraud concerns were identified from our work in relation to the risk of management override of controls.</p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p>2 <b>Budget setting and financial sustainability</b></p> <p>As a result of specific issues around agreeing the IJB's share of the £3.6 million unachieved health board savings from 2015/16, the 2017/18 financial allocation from the health board was not agreed by the board until September 2017.</p> <p>The IJB agreed to fund their share of these savings through a drawdown of reserves on a</p>	<p>Continue to engage with the Chief Officer (Finance and Resources) on the progress made to resolve the issue of unachieved savings, and the IJB's performance against savings targets throughout the year.</p> <p>Review the IJB's progress on agreeing a budget and savings proposals for 2018/19.</p>	<p>As noted above, the IJB's share of the unachieved savings from 2015/16 has been funded from the recurring contingency budget.</p> <p>This arrangement will remain in place for future years.</p> <p>The IJB's 2018/19 financial allocation was conditionally approved in March 2018, before formal approval in May 2018.</p> <p>We concluded that improvements have been made to the process for agreeing the IJB's budget and</p>











Audit risk	Assurance procedure	Results and conclusions
<p>non-recurring basis for 2017/18. Discussions are still ongoing with the health board to resolve this issue for future years.</p> <p>The allocation highlighted a revised savings requirement for the IJB of £17.9 million in 2017/18.</p> <p>There is a risk that uncertainty and delays around financial allocations, and the scale of the savings necessary to deliver the budget may result in pressure on service delivery and performance, and the risk of a balanced financial position not being achieved.</p>		<p>savings proposals for the financial year.</p>
<p><b>3 Information sharing protocol</b></p> <p>As reported Internal Audit's Review of Governance Arrangements in June 2017, the IJB's integration scheme states that <i>"the Parties will revise their existing Information Sharing Protocol (ISP) to become a tri-partite agreement between the Health Board, Council and Integration Joint Board."</i></p> <p>This was due to be completed and approved by the health board, council and IJB within three months of the IJB's establishment. However, as at January 2018, a revised ISP has still to be approved. Any revision of the ISP will also have to take into account the requirements of the new General Data Protection Regulation which comes into effect in May 2018.</p> <p>There is a risk that the existing arrangements are out of date an information could be shared inappropriately.</p>	<p>Review the IJB's progress in reviewing the existing ISP.</p>	<p>Management have advised that work is still ongoing to revise the existing ISP.</p> <p>Refer <a href="#">Appendix 1, point 1</a>.</p>

# Appendix 3

## Summary of national performance reports 2017/18



2017/18  
Reports

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

### Reports relevant to Integration Joint Boards

[Self-directed support: 2017 progress report](#) – August 2018

[NHS in Scotland 2017](#) – October 2018

# Glasgow City Integration Joint Board

## 2017/18 Annual Audit Report

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