

Glasgow City Integration Joint Board
Commonwealth House
32 Albion Street
Glasgow
G1 5ES

20 September 2017

Glasgow City Integration Joint Board 2016/17 Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2016/17 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified.
2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 20 September 2017 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to the Integration Joint Board, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
5. As part of the completion of our audit we seek written assurances from the Chief Officer (Finance and Resources) on aspects of the financial statements and judgements and estimates made. A

draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Chief Officer (Finance and Resources) with the signed financial statements prior to the independent auditor's opinion being certified.

APPENDIX A: Proposed Independent Auditor's Report

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

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Glasgow City Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Glasgow City Integration Joint Board as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Glasgow City Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Officer (Finance and Resources) for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves 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. This includes an

assessment of: whether the accounting policies are appropriate to the circumstances of the Glasgow City Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Officer (Finance and Resources); and the overall presentation of the financial statements.

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

Other information in the annual accounts

The Chief Officer (Finance and Resources) is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

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

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

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

David McConnell MA CPFA
Assistant Director (Audit Services)
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2017

APPENDIX B: Letter of Representation (ISA 580)

David McConnell, Assistant Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

20 September 2017

Dear David

Glasgow City Integration Joint Board Annual Accounts 2016/17

1. This representation letter is provided in connection with your audit of the financial statements of Glasgow City Integration Joint Board for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Board, as at 31 March 2017 and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Glasgow City Integration Joint Board, the following representations given to you in connection with your audit of Glasgow City Integration Joint Board for the year ended 31 March 2017.

General

3. I acknowledge my responsibility and that of the Board for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the management commentary and the remuneration report presents a balanced picture of the Board and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements.

Regularity of Financial Transactions

6. The financial transactions of the Board are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

Financial Reporting Framework

7. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and in accordance with the requirements of

the Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements.

8. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Glasgow City Integration Joint Board for the year ended 31 March 2017.

Accounting Policies & Estimates

9. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
10. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

11. The Board has assessed the IJB's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

12. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS 24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Events Subsequent to the Date of the Balance Sheet

13. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
14. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

15. I acknowledge as Section 95 Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
16. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2017, which require disclosure.

Fraud

17. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

18. The debtors balance shown in the Balance Sheet at 31 March 2017 has been agreed with partners.

Provisions and Contingent Liabilities

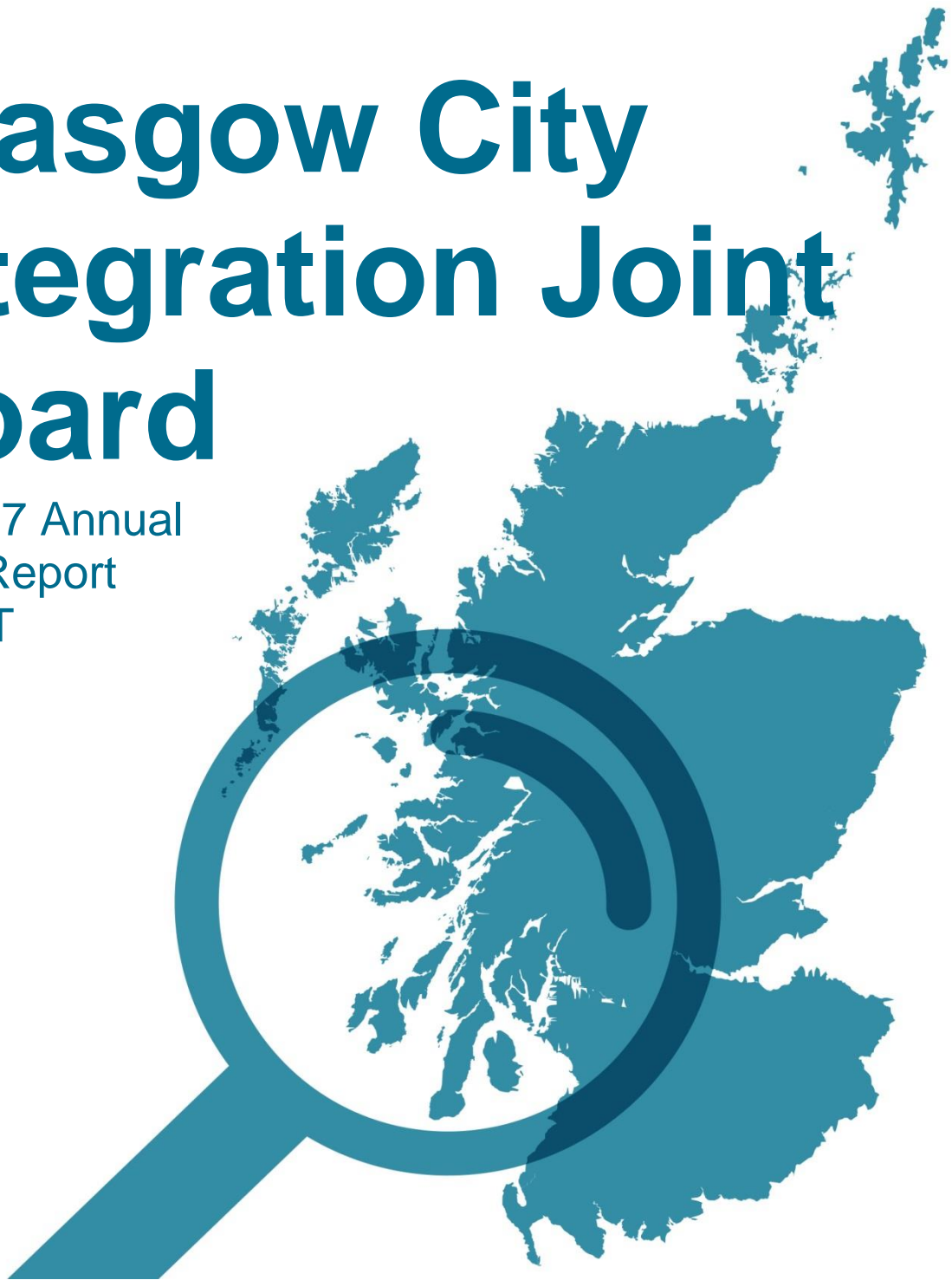
19. There are no provisions or contingent liabilities, arising either under formal agreements or through informal undertakings, requiring disclosure in the accounts.

Yours sincerely

Sharon Wearing
Chief Officer (Finance and Resources)
Glasgow City Integration Joint Board

Glasgow City Integration Joint Board

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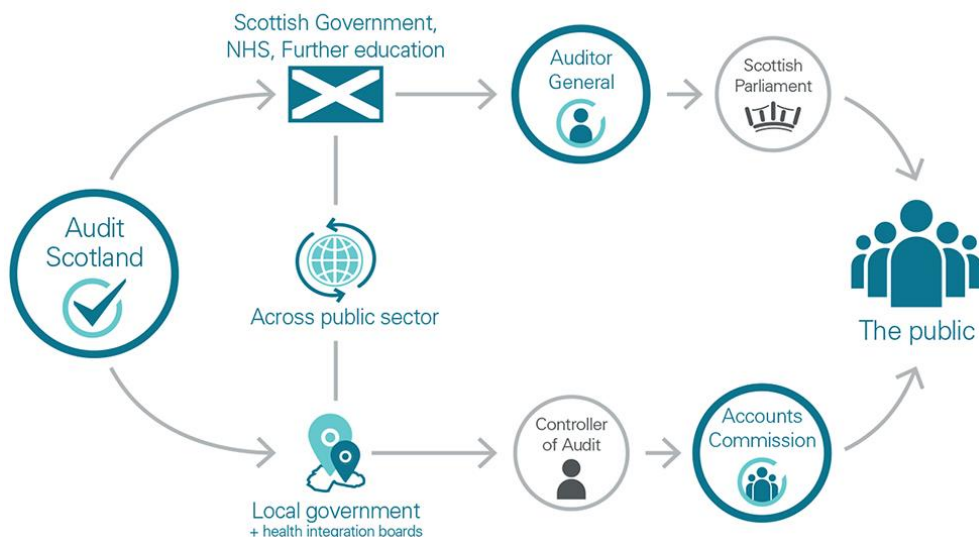
Prepared for Glasgow City Integration Joint Board and the Accounts Commission

20 September 2017

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

2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management

- 2 The IJB has appropriate arrangements in place which provide timely and reliable information for monitoring financial performance.
- 3 The IJB spent £1,270.473 million on delivering health and social care services to the residents of Glasgow and, overall, realised a surplus of £19.309 million in 2016/17. This surplus has been transferred to reserves, in line with the IJB's approved reserves policy, with £11.88 million earmarked for specific purposes.

Financial sustainability

- 4 Total savings of £16.972 million were achieved for 2016/17, 98% of target. Savings of £27.5 million are required for 2017/18.
- 5 It is important that the IJB prioritises medium to long term financial planning to demonstrate financial sustainability and support future developments.

Governance and transparency

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.
- 7 We obtained audit assurance over the accuracy and completeness of financial transactions process by partner bodies.
- 8 The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.

Value for money

- 9 The audit findings included throughout this report comment on the arrangements that have been put in place by the IJB to secure Best Value in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.
- 10 The IJB demonstrates good practice through detailed presentations on service performance by the Heads of Service at each Finance and Audit Committee meeting.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Glasgow City Integration Joint Board, hereby referred to as the IJB. The report is divided into sections which reflect our public sector audit model.

2. The scope of our audit was set out in our Annual Audit Plan presented to the June 2017 meeting of the IJB. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- an interim audit of the IJB's governance arrangements
- obtaining service auditor assurances from the auditors of NHS Greater Glasgow and Clyde and Glasgow City Council
- an audit of the IJB's 2016/17 annual accounts and the issue of an independent auditor's report setting out our opinions.

4. The IJB is responsible for preparing annual accounts that show a true and fair view, and for establishing effective arrangements for governance which enables the Board to successfully deliver its objectives.

5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

- 6.** These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 8.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made. This report contains an action plan at [Appendix 1 \(page 21\)](#), which sets out specific recommendations, responsible officers and dates for implementation.
- 9.** Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses identified does not relieve management of their responsibility to address the issues raised and to maintain an adequate system of internal control.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services in 2016/17. Our 2016/17 audit fee 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.
- 11.** This report is addressed to both the Board and the Accounts Commission and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 12.** The co-operation and assistance received over the course of the audit is gratefully acknowledged and we would like to thank all management and staff who have been involved in our work.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Board on 20 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the remuneration report, management commentary and the annual governance statement.

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

Submission of annual accounts for audit

15. We received the unaudited financial statements on 21 June 2017, in line with the timetable agreed in our Annual Audit Plan. Financial information was provided to the IJB in a timely matter from the partner bodies in order to allow them to produce the accounts before the statutory deadline. The partner bodies also provided the IJB with assurance letters confirming the figures were complete and accurate.

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

Risks of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also included within the appendix are wider dimension risks, how we addressed these and our conclusions.

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

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the annual report, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the unaudited 2016/17 Annual Accounts we reviewed our original materiality figures and revised the levels to reflect the gross expenditure for the year ended 31 March 2017.

Exhibit 2

Materiality values

Materiality level	As stated in our Annual Audit Plan	Amount finally determined
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£11.143million	£12.705 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of overall materiality.	£7.989 million	£8.894 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality, capped at £100,000.	£0.1 million	£0.1 million

Evaluation of misstatements

21. There were no misstatements which had an impact on the unaudited financial statements.

Significant findings

22. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA 260.

Other findings

23. 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 reflected in the audited financial statements.

Part 2

Financial management



Main judgements

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

No weaknesses in internal controls were identified in the systems used to process IJB transactions.

Financial management

24. 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.

25. 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
- financial regulations 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.

26. We reviewed the financial regulations and standing orders which were created on the formation of the IJB, and we consider these to be comprehensive.

27. The Board receives financial monitoring reports each period, outlining expenditure against budget in the delivery of the range of health and social care services described within the IJB's strategic plan. Budget changes made during the period and explanations for key variances against budget are detailed in the reports. Budget monitoring is also reviewed quarterly at the Finance and Audit Committee.

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

Financial performance in 2016/17

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

29. The financial statements report a surplus of £19.309 million for 2016/17. This consists of an underspend by NHS Greater Glasgow and Clyde of £0.014 million and an underspend by Glasgow City Council of £19.295 million. The main reasons for the underspend include the non-utilisation of £3.5 million contingency within the original IJB budget, and a re-phased implementation of additional supported living services in the second half of the year, resulting in £3 million of planned expenditure carried over to 2017/18.

30. The surplus has been taken to reserves, with £11.880 million of this earmarked for expenditure on specific projects in 2017/18. A budget summary for the year is shown in [Exhibit 3](#).

Exhibit 3 Budget Summary

2016/17 IJB budget objective summary	Budget £m	Actual £m	Variance £m
NHS Greater Glasgow and Clyde	533.471	533.457	14
Glasgow City Council	500.404	481.109	19.295
Total Net Expenditure	1,033.875	1,014.566	19.309
Surplus (from NHS Greater Glasgow and Clyde)	0	14	14
Surplus (from Glasgow City Council)	0	19.295	19.295
Earmarked Reserves	0	11.880	11.880

Source: 2016/17 Glasgow City Integration Joint Board annual accounts

Internal controls

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

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

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

33. The IJB has a range of activities in place 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.

34. As part of the assurances obtained from the external auditors of the Health Board and Council, it was confirmed that both the partner organisations had in place effective policies for bribery and corruption, including established whistleblowing procedures for officers.

35. The arrangements for the prevention and detection of bribery and corruption are satisfactory and we are not aware of any specific issues that we need to record in this report.

Part 3

Financial sustainability



Main judgements

The IJB's financial position is sustainable but challenging. The IJB is carrying forward £7.4 million of unallocated reserves. Maintaining an appropriate reserve balance will aid the IJB in achieving financial balance in future years.

Good progress has been made in developing medium term financial planning, with a three year financial strategy prepared based on assumed savings of 5% per year.

Savings plans are challenging but achievable, underpinned by a Transformational Change Programme which aims to transform services.

Financial planning

36. The IJB allocates the resources it receives from the health board and council in line with its Strategic Plan, which was approved by the Board in March 2016.

37. As previously reported in paragraph 29, the IJB achieved a surplus of £19.309 million in 2016/17. A significant part of this surplus (£11.880 million) relates to funding for projects that will be carried into 2017/18.

38. The Board considered the 2017/18 financial allocations and budgets at its meeting in March 2017. The net allocation of £398.3 million from Glasgow City Council was agreed at the March 2017 meeting of the Board, however the initial allocation from the health board was rejected by the IJB at that time as it fell below the 2016/17 recurring budget level, and included a proportional share of £3.6 million unachieved savings from 2015/16 which the IJB do not consider to be part of the baseline budget.

39. The Chief Officer (Finance and Resources) and the Chief Officer of the Board have been liaising with the Director of Finance of NHS Greater Glasgow and Clyde around the 2017/18 budget allocation, updating both the Finance and Audit Committee and the Board of the IJB as to the progress. A revised allocation from the health board of £645 million, plus £120.8 million set aside, was received in August 2017 and considered by the Board in September 2017.

40. For 2017/18, the Board has agreed to utilise £2 million of reserves to fund their share of the unallocated savings within the health board allocation. Whilst this addresses the overall funding position for 2017/18, further discussion will be required to resolve this matter in future years.

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.

Reserves strategy

41. Reserves are an integral part of the medium and longer term financial plan of the IJB and its financial sustainability. A reserves policy was approved by the Board in December 2016. Reserves will be held by the IJB as a contingency to mitigate the impact of unanticipated overspends and also to meet specific future commitments. When determining the level of reserves to be held by the IJB, consideration was given to the strategic, operational and financial risks facing the IJB in the medium term and the Board's overall approach to risk management. Based on the size and scale of the IJB, the Board has set a target level of unearmarked reserves at 2% of net expenditure.

42. In 2016/17, the IJB transferred its surplus of £19.309 million to reserves with £11,880 million earmarked for specific purposes. The remaining £7.429 million equates to 0.7% of the Board's net expenditure in year and provides progress towards the IJB's longer term reserves target, in the Board's first year of operation.

Efficiency savings

43. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing 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.

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. In 2016/17 the IJB agreed savings plans totalling £22.491 million on an annual basis. Savings relief of £5.258 million was applied to some of the NHS savings to recognise that these would not be delivered for the full year, giving a revised savings target of £17.233 million. At the end of the financial year, the IJB delivered savings of £16.972 million, 98% of target. For 2017/18, the combined savings target for the IJB is £27.5 million.

46. In December 2016, officers reported a savings allocation of £18.7 million within the Council's proposed funding allocation for 2017/18, including a stretch target of £4.9 million. Savings plans totalling £13.8 million had been previously approved by the Council. Additional savings measures in 2017/18 have been identified by the IJB to address the gap, and progress towards achievement is monitored through the Integration Transformation Board.

47. The proposed health board allocation for 2017/18, considered by the IJB in March 2017, includes a savings allocation of £8.8 million. This allocation excludes a proportional share of unachieved savings from 2015/16, which has been subject to separate discussions. A total of £6.1 million savings through service reforms were set out in March 2017, leaving a savings shortfall £2.7 million to be addressed. The Board agreed to fund this shortfall through drawdown of reserves until further proposals are developed through the financial year.

Recommendation 1

The IJB should seek early engagement with the health board to resolve outstanding issues around proportional shares of unachieved savings beyond the 2017/18 financial plan.

48. The 2016/17 budget forms the baseline of the IJB's three year financial plan. As part of their financial strategy, the Board has assumed that efficiencies of 5% require to be delivered each financial year going forward. The Board recognises the significant and unprecedented challenges ahead and that service delivery models and levels will need to be transformed going forward.

49. The IJB has established a Transformational Change Programme, which is monitored via an Integration Transformation Board. This Programme aims to deliver transformational change in health and social care services in Glasgow in line with the IJB's Strategic Plan and the National Health and Wellbeing Outcomes. Effective delivery of the programme should allow the IJB to realise the level of savings built into their 3 year financial plan.

Part 4

Governance and transparency



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.

Good progress has been made in the development of risk management arrangements to ensure they are fit for purpose and subject to regular review and update.

The IJB conducts its business in an open and transparent manner.

Governance arrangements

50. The IJB was formally established on 6 February 2016, with the delegation of functions from NHS Greater Glasgow and Clyde and Glasgow City Council on 1 April 2016. 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 between its two partner bodies.

51. The Board has 32 members and is comprised of sixteen 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.

52. The Board is supported in its work by an Executive Committee, a Finance and Audit Committee and a Public Engagement Committee, as well as its management team, including the Chief Officer and the Chief Officer (Finance and Resources).

53. The Board and committees met on a regular basis throughout the year. We review minutes of Board and Finance and Audit Committee meetings to assess their effectiveness. We also periodically attend meetings of the Finance and Audit Committee. Additionally, we attend selected Board meetings as observers.

54. As part of the wider review of governance arrangements across the public sector we completed a follow-up review of the 'Role of the Boards' national report, published in September 2010. This involved review of documentation, discussions with key officers and attendance at Board and committee meetings. From this work we found:

- a good level of challenge being applied to decision making at the committee and board meetings we attended
- good standards of conduct and behaviour were observed
- members receive sufficient training, tailored to their needs, including an introductory presentation outlining the function of the IJB and members' roles and responsibilities

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.

- periodic development sessions and ongoing training and support are available to members.

55. We concluded that overall the Board has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

Internal audit

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

57. The IJB's 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 operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

58. To avoid duplication 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 work. However, we did consider internal audit report findings regarding the IJB's governance arrangements as part of our wider dimensions work. There were no issues identified by internal audit that would have an impact on our audit of the IJB's annual accounts.

59. Internal audit has developed working relationships with partner bodies to facilitate information sharing relevant to the audit of the IJB. Quarterly meetings are held with PwC, the internal auditors for NHS Greater Glasgow and Clyde, and the Chief Auditor has access to relevant health board audit reports, to allow him to consider and report identified risks to the IJB. These current arrangements are informal, and rely on the maintenance of good working relationships between the bodies.

Recommendation 2

The IJB should consider formalising current internal audit protocols and arrangements with partner bodies to ensure continued access and information sharing between bodies.

Risk management

60. It is a requirement of the Integration Scheme that a risk management and procedure is developed by the IJB. We reviewed the risk management arrangements in place at the IJB and formed a judgement on the appropriateness of these arrangements. The IJB, health board and council risk registers are scrutinised quarterly by the Finance and Audit Committee and Senior Management Team, with six monthly updates to the Board.

61. A risk management policy and strategy was approved by the IJB in February 2016, with the objectives of:

- promoting awareness of risk and defining responsibility for managing risk within the IJB
- establishing communication and sharing of risk information through all areas of the IJB

- initiating measures to reduce the IJB's exposure to risk and potential loss; and
- establishing standards and principles for the efficient management of risk, including regular monitoring and review.

62. A review and revision of the risk management strategy was carried out at the IJB development session in June 2017, and will be reported to the IJB in September 2017.

63. An annual review of the IJB's risk management is undertaken, with the 2016/17 review reported to the IJB in June 2017. The purpose of this review is to provide a summary of the risk management activity and risk registers maintained within the health and social care partnership.

64. Based on our review we are satisfied with the progress the IJB has made to develop and improve its risk management arrangements, and concluded that the IJB has good risk management arrangements in place.

Transparency

65. Transparency means that the public, and in particular, local residents, have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

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

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

Other governance arrangements

68. The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The IJB's overarching Strategic Plan and the locality plans in place for Glasgow City's three localities (north east, north west and south) enable partners to engage in and support the delivery of the health and social care provision.

Part 5

Value for money



Main judgements

The IJB's first annual performance report was presented to the Board in June 2017, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act.

The IJB demonstrates good practice through detailed presentations on service performance by the Heads of Service at each Finance and Audit Committee meeting.

Best Value

69. Local government bodies, including IJBs, have a statutory duty to make arrangements to secure Best Value (BV) through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.

70. Value for money is a key element of our audit approach. The audit findings included throughout this report comment on arrangements that have been put in place by the Board to secure BV in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.

Performance management

71. In order 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.

72. 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.

73. 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 publically available within the committee papers on the IJB's website. The IJB also maintains a strategic overview of performance with regular performance updates received.

74. The IJB's 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. These are:

- early intervention, prevention and harm reduction
- providing greater self-determination and choice

Value for money is concerned with using resources effectively and continually improving services.

- shifting the balance of care
- enabling independent living for longer
- public protection.

75. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Scottish Government guidance highlights that the report should 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.

76. A performance report was submitted to the IJB Board meeting on 21 June 2017. The report included sections on delivering the IJB's key priorities, locality planning, financial performance and a performance summary. We are satisfied that the report met the requirements of the 2014 Act.

77. The performance report includes a full list of the key performance indicators reported to the IJB, comparing current and baseline (2015/16) performance. A red/amber/green system is used to monitor the IJB's performance. Areas where the IJB are performing well in relation to the baseline data include alcohol and drugs and primary care, with homelessness and unscheduled care currently rated red.

National performance audit reports

78. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 3](#) accompanying this report.

79. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home. We also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. The scale of the change is significant and will not happen quickly. Therefore, we will carry out a second audit in 2018, now integration authorities are more established, to look at progress and to follow up on these risks. The audit will also examine 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.

80. The IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions, as evidenced by the updates taken to the Board in respect of Audit Scotland's Social Work in Scotland 2016 and NHS in Scotland 2016 reports.

Good practice

81. The Code of Audit Practice requires auditors to identify good practice for wider dissemination.

82. At each meeting of the IJB's Finance and Audit Committee, a Head of Service gives a presentation on the performance of their service. This gives members a more detailed insight into the services provided by the IJB and how the IJB is performing in delivering these services. In addition, the annual performance report includes a number of case studies and examples of service user feedback which

illustrate the work of the health and social care partnership and the impact it has on the residents of Glasgow City.

83. Both of the examples above are considered to be areas of good practice.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
13	<p>1. Budget setting and savings targets</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>Risk</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 proportional share of unachieved savings beyond the 2017/18 financial plan.</p>	<p>The revised 2017/18 financial allocation from the health board was presented to the Integration Joint Board in September 2017 for approval. Ongoing dialogue with health board around unachieved savings allocations as part of future budget proposals.</p> <p>Chief Officer (Finance and Resources)</p> <p>Ongoing</p>
16	<p>2. Internal audit protocols</p> <p>Current protocols around information sharing are not formalised and rely on established relationships between partner bodies.</p> <p>Risk</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>Whilst the current arrangements are working well and there is ongoing dialogue between the Chief Internal Auditor to the Integrated Joint Board and Chief Internal Auditor of NHS Greater Glasgow and Clyde, it is accepted that formalising the arrangements going forward may be beneficial should there be any future change in the Internal Audit provision. Any formal agreement will also take into account the requirements of the General Data Protection Regulations.</p> <p>Chief Internal Auditor</p> <p>April 2018</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
Risks of material misstatement in the financial statements		
1 Risk of management override of controls 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.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	All journals processed by the IJB were reviewed, with no issues identified. The accounting estimates made in the preparation of the annual accounts were reviewed and considered to be reasonable. Testing of accruals and prepayments was carried out by the auditor's 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. No significant transactions outside the normal course of business were identified during the audit process. No fraud concerns were identified from our work in relation to the risk of management override of control.
2 Preparation of financial statements Operational financial statements are required for the first time in 2016/17, and are more complex than in the prior year. There is a risk that the procedures for agreeing the year end balances are not fully embedded; and that this may not be agreed in time to enable NHS Greater Glasgow and Clyde to meet its deadline for approving and reporting its accounts in June 2017. There is	Continued communication with officers prior to the accounts being prepared to help ensure the relevant information is disclosed and timetable met. Review of compliance with accounting standards and legislation as part of the financial statements audit. Review of governance arrangements against the Code requirements. Obtain assurances from the auditors of partner bodies over the accuracy, completeness and appropriate allocation of	There was ongoing communication and periodic meetings held with the Head of Finance and Chief Officer: Finance and Resources over the course of the audit to ensure the relevant information was included within the annual accounts and that the IJB met the agreed timetable for the provision of information to the health board and for the preparation of it's own annual accounts. The IJB provided information to the health board within the agreed timescale and the IJB accounts were prepared and submitted to audit

Audit risk	Assurance procedure	Results and conclusions
<p>also a risk that the annual accounts are not in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the UK (the "Code").</p>	<p>the IJB ledger entries.</p>	<p>within the required timetable.</p> <p>Compliance with accounting standards and legislation was assessed during the accounts audit process. No compliance issues were identified.</p> <p>The governance arrangements at the IJB were reviewed and found to be sound.</p> <p>Assurances were received from the auditors of NHS Greater Glasgow and Clyde and Glasgow City Council. They provided sufficient assurance over the completeness, accuracy and allocation of IJB costs.</p>
<p>3 Governance statement and management assurances</p> <p>The preparation of the financial statements of the IJB relies on the provision of financial and non-financial information from the systems of both NHS Greater Glasgow and Clyde and Glasgow City Council.</p> <p>The Chief Officer: Finance and Resources of the IJB must obtain sufficient assurance that the costs transferred to the accounts of the IJB are complete and accurate and were incurred on behalf of the IJB for services prescribed in the integration scheme.</p> <p>There is a risk that that Chief Officer: Finance and Resources does not have adequate assurance that information received from the partners is complete and accurate.</p>	<p>Obtain assurances from the external auditors of NHS Greater Glasgow and Clyde and Glasgow City Council over the accuracy, completeness and occurrence of the IJB ledger entries and that they have been allocated appropriately.</p> <p>Confirm that the financial reporting throughout the year is accurately reflected in the year end position.</p> <p>Consider whether appropriate action is taken on issues raised in internal audit reports.</p> <p>Assess whether the governance statement adequately reflects the position of the IJB.</p>	<p>Assurances were received from the auditors of NHS Greater Glasgow and Clyde and Glasgow City Council and copies of the assurances the IJB received from the health board and council were provided by the Chief Officer: Finance and Resources. They provided sufficient assurance over the completeness, accuracy and allocation of IJB costs.</p> <p>We compared the financial information reported throughout the year with the Board's year end position and found that there was scope to improve the budget monitoring reports presented to the IJB to more accurately reflect the financial position of the Board.</p> <p>Appropriate management responses, responsible officers and timescales for implementation are included against all recommendations made in internal audit reports. We will review internal audit's follow up reports to ensure that appropriate action is taken on the issues raised by internal audit.</p> <p>Considered the governance statement disclosures against wider knowledge and knowledge of the IJB and conclude that the governance statement adequately reflects the position of the IJB.</p>





















Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>4 Budget setting and financial sustainability</p> <p>The 2016/17 budget, excluding the amount set aside for acute services, was not agreed by the Board until September 2016. The 2016/17 set aside budget has still to be finalised.</p> <p>The latest financial allocations and plans for 2017/18 submitted to the Board highlight required savings of £24.8 million and identify a funding gap of £2.7 million.</p> <p>The 2017/18 IJB budget has not yet been finalised as the health board allocation has still to be agreed.</p> <p>There is a risk that delays in agreeing the 2017/18 budget, including the savings proposals necessary to deliver this, may impact on the financial management of the IJB and service delivery.</p>	<p>Review of the IJB's progress in agreeing a budget and savings proposals for 2017/18.</p> <p>Review of the effectiveness of the IJB's financial plans.</p>	<p>At 11 September 2017, the budget for 2017/18 has not been approved as the IJB has yet to agree an allocation from NHS Greater Glasgow and Clyde.</p> <p>On 20 September 2017, the Board will consider an updated budget allocation from the health board.</p> <p>The IJB is currently working towards 5% savings each year, on the basis of a three year financial strategy.</p>

Appendix 3

Summary of national performance reports 2016/17



**2016/17
Reports**

Apr			
May	 Common Agricultural Policy Futures programme: an update		
Jun	 South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland	
Jul	 Audit of higher education in Scottish universities	 Supporting Scotland's economic growth	
Aug	 Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update	 Scotland's colleges 2016
Sept	 Social work in Scotland	 Scotland's new financial powers	
Oct	 Angus Council: Best Value audit report	 NHS in Scotland 2016	
Nov	 How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16	
Dec	 Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report	
Jan			
Feb	 Scotland's NHS workforce		
Mar	 Local government in Scotland: Performance and challenges 2017	 i6: a review	 Managing new financial powers: an update

Glasgow City Integration Joint Board

2016/17 Annual Audit Report DRAFT

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