

Glasgow Integration Joint Board

**Annual Audit Plan
Year ended 31 March 2023**

**Draft for Finance, Audit and
Scrutiny Committee**

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1. Executive summary

Purpose of our plan

The Accounts Commission for Scotland appointed EY as the external auditor of Glasgow Integration Joint Board (“IJB” or “the Board”) for the five year period to 2026/27.

This Annual Audit Plan, prepared for the benefit of senior management and the Finance, Audit and Scrutiny Committee, sets out our proposed audit approach for the audit of the financial for the year ended 31 March 2023. In preparing this plan, we have developed our understanding of the organisation through:

- ▶ Introductory planning discussions with management,
- ▶ Handover discussions with your predecessor auditors, Audit Scotland;
- ▶ Review of key documentation and committee reports; and
- ▶ Our understanding of the environment in which the Board is currently operating.

The following additional procedures are will be completed in the period to end March:

- ▶ Review of predecessor auditor working papers; and
- ▶ Introductory meeting with the Chairs and Vice-Chairs of the Board and the Finance, Audit and Scrutiny Committee

Our audit quality ambition is to consistently deliver high-quality audits that serve the public interest. A key objective of our audit reporting is to add value by supporting the

improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, including observations around where the Board employs best practice and where processes can be improved. We use data insights to form our audit recommendations to support the IJB in improving its practices around financial management and control, and in aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

After consideration by the Board’s Finance, Audit and Scrutiny Committee, the finalised plan will be provided to Audit Scotland and published on their website.

Scope and Responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the IJB and the auditor, more details of which are provided in Appendix A.

Our key contacts:

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Financial Statements audit

We are responsible for conducting an audit of the Board's financial statements. We provide an opinion as to:

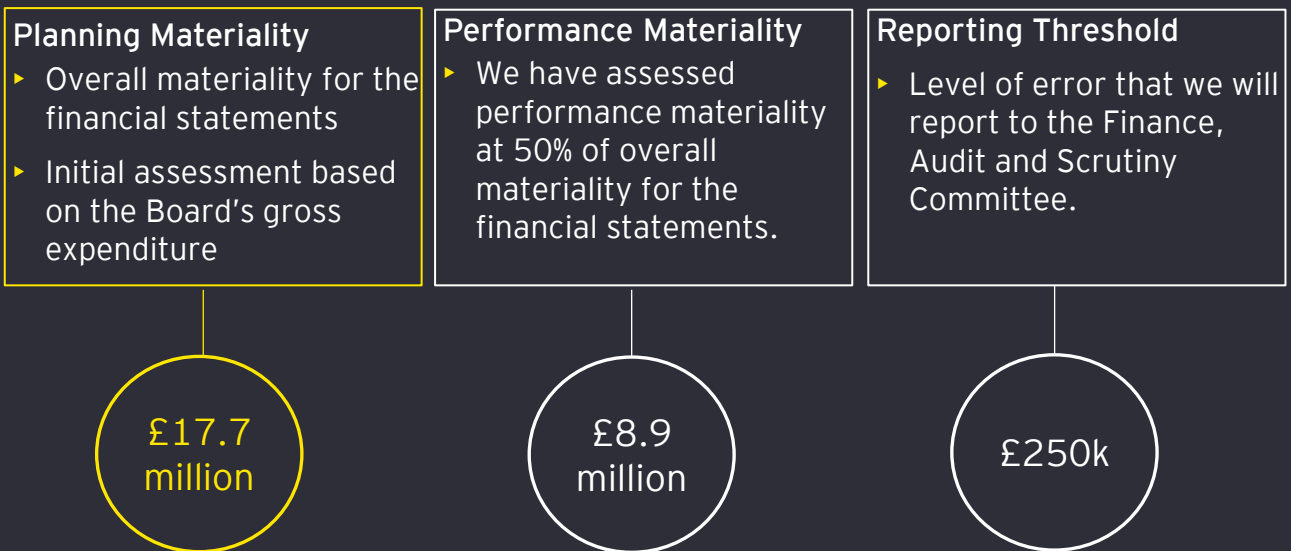
- ▶ whether they give a true and fair view, in accordance with applicable law and the 2022/23 Code of Accounting Practice, of the income and expenditure of the IJB for the year ended 31 March 2023 and;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2022/23 Code; and
- ▶ whether they 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.

We also review and report on the consistency of the other information

prepared and published along with the financial statements.

We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. Our key considerations and materiality values are set out in Exhibit 1, below.

Exhibit 1: Materiality Assessment in 2022/23



Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both involved parties.

| Wider Scope Dimensions and Best Value

As public sector auditors, our responsibilities extend beyond the audit of the financial statements. The Code of Audit Practice (2021) requires auditors to consider the arrangements put in place by the Board to meet their Best Value obligations as part of our proportionate and risk-based wider-scope audit work.

Wider scope audit requires consideration of:

- ▶ The Board's arrangements to secure sound financial management;
- ▶ The regard shown to financial

sustainability;

- ▶ clarity of plans to implement the vision, strategy and priorities of the Board, and the effectiveness of governance arrangements for delivery; and
- ▶ The use of resources to improve outcomes.

Annual Best Value audit work will be integrated with our wider scope annual audit work. We will report on how the IJB demonstrates and reports that it has Best Value arrangements in place, to secure continuous improvement.

| Exhibit 2: Summary of significant risks identified for the audit of Glasgow Integration Joint Board in 2022/23

One significant risk impacting the audit of financial statement has been identified in Section 3:

1. Risk of fraud in expenditure, including through management override	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>As a result of the nature of funding to the IJB from the Council or NHS, we have rebutted the assumed fraud risk in respect of income.</p>
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One significant risk impacting the Financial Sustainability wider scope audit dimension has been identified in Section 4:

1. Development of sustainable and achievable medium term financial plans	<p>The IJB's Medium Term Financial Plan highlights a significant financial challenge. In order to breakeven, savings of over £60 million are required to be found in the next 3 year period.</p> <p>Any failure to deliver savings will place additional pressure on the IJB's general reserve balances.</p>
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| 2. Sector developments

Introduction

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Board operates to inform our audit approach.

| NHS Recovery Plan

Scotland's public services are facing unprecedented challenges. The Auditor General for Scotland publishes an annual report on the performance of the NHS in Scotland. The 2022 report is expected to be published in February 2023.

The NHS in Scotland 2021 report highlights the scale of the challenges brought about by the Covid-19 pandemic. While the NHS in Scotland continues to operate on an emergency footing, in August 2021, the Scottish Government published its NHS Recovery Plan 2021-2026. The plan outlines:

- ▶ how the Scottish Government aims to increase NHS capacity and address the backlog of healthcare while meeting ongoing healthcare needs; and
- ▶ the principles that will shape NHS recovery, including the short, medium and long-term investment planned to deliver improvements.

Since the publication of the 2021 report further changes have continued to exacerbate the scale of the challenge, including:

- ▶ The impact of significant winter pressures, such as unusually high levels of Covid-19 and influenza infections;
- ▶ The impact of the cost of living crisis on salary demands, and corresponding industrial action; and
- ▶ Workforce planning and recruitment difficulties, particularly within the social care sector.

| National Care Service Bill

In September 2022, the Scottish Government published the National Care Service Bill. Proposals within the Bill would make Scottish Ministers accountable for adult social care in Scotland. The National Care Service will define the strategic direction and quality standards for community health and social care across Scotland.

Decisions on delivery models have yet to be taken but current IJB arrangements are expected to be replaced by local delivery boards, "Care Boards" which will work with the NHS, local authorities, and the third and independent sectors to plan, commission and deliver support and services for communities. Social care services currently provided in-house by local authorities, may continue under a commissioning arrangement with the care board. However, the care board may take over direct delivery, with staff transferring employment from councils to the care board.

The Bill explains that the detail of how the new service will work will be co-designed with people who have direct experience of social care services.

The timeline for the creation of a National Care Service by the end of the current Parliament.

Audit Scotland published a briefing paper on Social Care on 27 January 2022 which noted that:

- ▶ There are huge challenges facing the sustainability of social care, with the pressures of increasing demand and demographic change growing.
- ▶ The workforce is under immense pressure.
- ▶ There are around 700,000 unpaid carers who provide most of the social care support in Scotland, with most not knowing their rights under the Carers (Scotland) Act 2016.
- ▶ Commissioning tends to focus on cost rather than quality or outcomes.
- ▶ Capacity and cultural differences are impacting leadership.

Councils across Scotland faced significant financial challenges during 2021/22 and are now entering the most difficult budget setting context seen for many years. Increasingly difficult choices about spending priorities will need to be made.

| Scottish Government Spending Review

The Scottish Government's May 2022 Resource Spending Review (RSR) represented the first multi-year Resource Spending Review (RSR) in Scotland since 2011 and outlined the government's resource spending plans to the end of the

current term of Parliament in 2026/27.

The RSR assumes an overall cash-terms increase to the Scottish Government spending envelope of £5.7 billion over the period 2022/23 to 2026/27. The economic and financial context, including inflationary factors, means that there is an unprecedented financial challenge ahead.

In December 2022, the Scottish Government published the 2023/24 Scottish Budget. The budget included announcements that the Scottish government will:

- ▶ Provide over £570 million in additional revenue and capital funding available to councils for 2023/24
- ▶ invest over £13 billion in health boards to allow them to continue to drive forward the five-year Recovery Plan;
- ▶ Continue to reform key services, and will allocate £2 billion to establish and improve primary health care services in the community;
- ▶ Provide £1.7 billion for social care and integration to improve services and introduce the National Care Service; and
- ▶ An additional £100m will be made available for health and social care, including support for the delivery of the £10.90 real living wage for adult social care, building on the increase provided in 2022-23.

Overall, as a result of decisions to increase income tax levels, the Scottish Government suggested that the amount spent on health and social care in Scotland will increase by over £1 billion in one year.

| Local Government Finances 2021/22

In January 2023, the Accounts Commission published its annual report on Local Government finances in Scotland. The report notes that even with additional Covid-19 funding during 2021-22, councils had to make significant savings last year to balance their budgets.

An increasing amount of council funding is either formally ringfenced or provided on the expectation it will be spent on specific services and national policy objectives.

Audit Scotland calculated ringfenced money to represent 23% of total revenue funding in 2021/22. A large amount of this was to support elements of education and social care service provision. While this supports the delivery of key Scottish Government policies, it removes local discretion and flexibility over how these funds can be used by councils.

Looking ahead, the Accounts Commission note that Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.

3. Financial statements: Our approach and assessment of significant risks

Introduction

The publication of the annual financial statements allow the Board to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”).

Our responsibilities

We are responsible for conducting an audit of the Board's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view in accordance with applicable law and the 2022/23 Code of the state of affairs of the IJB as at 31 March 2023 and of its income and expenditure for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2022/23 Code; and
- ▶ whether they 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.

We also review and report on the consistency of the other information prepared and published by the IJB along with its financial statements.

Other Statutory Information

The management commentary and narrative reporting within the financial statements continues to be an area of increased scrutiny as a result of rising stakeholder expectations, including continuing interest by the Financial Reporting Council.

We will work with the Chief Finance Officer to share our views on the 2021/22 financial statements, prior to the drafting of the 2022/23 financial statements.

ISA (UK) 315

Our objective is to form an opinion on the financial statements under International Standards on Auditing (ISA) (UK). There have been significant changes to ISA (UK) 315 and some changes to ISA (UK) 240 that will impact our 2022/23 audit approach and the procedures we need to perform.

ISA 315 is effective from 2022/23 onwards and will drive our approach to:

- ▶ Risk assessment
- ▶ Understanding the Board's internal control arrangement
- ▶ Identification of significant risk; and
- ▶ How we address significant risk (in combination with ISA 330).

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional and involves deception or is unintentional.

The revision to the standard aims to clarify the obligations of auditors to identify and assess the risk of material misstatement due to fraud, as well as including supplemental requirements and guidance to enhance the auditors' procedures. Auditor objectives have been revised to emphasise the requirement to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud.

As a result of the changes we will make enhanced inquiries of management, or others within the Board who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.

We will report on the impact of ISA (UK) 315 within our annual audit report.

| Audit Approach

For 2022/23 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement.

Our audit involves:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate

to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements.
- ▶ Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.
- ▶ Ensuring that reporting to the Finance, Audit and Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- ▶ We rigorously maintain auditor independence (refer to Appendix B).

| Materiality

For planning purposes, materiality for 2022/23 has been set at £17.76 million (2021/22: £24.435 million). This represents 1% of the Board's gross expenditure. Our materiality level is influenced by the nature of a initial audit.

Materiality will be reassessed throughout the audit process and will be communicated to the Finance, Audit and Scrutiny Committee within our annual audit report.

Our assessment concluded that gross operating expenditure is the most appropriate basis for determining planning materiality for the Board.

We consider misstatements greater than 1% of the gross expenditure to be material. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. We have provided supplemental information about audit materiality in Appendix F.

| Specific Materiality

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- ▶ **Remuneration report** - given the sensitivity around the disclosure of senior staff remuneration we apply a lower materiality threshold to our audit consideration around the remuneration report and related disclosures.
- ▶ **Related party transactions** - which are considered material when they are material to either party in the transaction. We do not apply a specific materiality but consider each transaction individually.

| Exhibit 3: Materiality Assessment in 2022/23

Element	Explanation	Value
Planning materiality	The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. This represents 1% of the Board's Gross Expenditure	£17.7 million
Performance materiality	Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds Planning Materiality to an acceptably low level. We have set it at 50% of planning materiality. This level reflects our risk assessment for an initial audit.	£8.9 million
Reporting Level	The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.	£250,000

Our response to significant risks

Introduction

Auditing standards require us to make communications to those charged with governance throughout the audit. At Glasgow Integration Joint Board, we have agreed that these communications will be to the Finance, Audit and Scrutiny Committee. The financial statements and our annual audit report will also be reported to the Board.

One of the key purposes of our annual audit plan is to communicate our assessment of the risk of material misstatement in the financial statements.

We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement

We set out in the following sections the

significant risks (including fraud risks denoted by *) that we have identified for the current year audit, along with the rationale and expected audit approach. In 2022/23 we have identified one significant risk:

- ▶ Risk of fraud in expenditure recognition,, including through management override of control*

Other than expenditure recognition, we have not identified any specific areas where management override will manifest as a significant fraud risk, however we will continue to consider this across the financial statements throughout the audit.

The risks identified may change to reflect any significant findings or subsequent issues we identify during the audit. We will provide an update to the Finance, Audit and Scrutiny Committee if our assessment changes significantly during the audit process.

1. Risk of fraud in expenditure recognition, including through management override of control

Financial Statement Impact

Misstatements that occur in relation to the risk of fraud and expenditure recognition could affect the expenditure accounts.

These 2021/22 account balance in the audited financial statements was Total cost of services: £1,519 million.

What is the risk?

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

As a result of the nature of funding to the IJB from the Council or NHS, we have rebutted the assumed fraud risk in respect of income.

For expenditure we associate the recognition risk to the completeness and occurrence of expenditure incurred by the IJB in commissioning services, and any associated creditor balances held by the IJB at yearend, in particular through management override of controls.

What work will we perform?

We will:

- ▶ Inquire of management about risks of fraud and the controls to address those risks;
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Challenging management around how the IJB gains assurance over the expenditure incurred by its partner bodies, so that it can account for the recognition of expenditure to those bodies.

In addition, we will perform mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Substantively test income and expenditure transactions as appropriate and material, in particular in respect of any reserve funding held by the IJB;
- ▶ Consideration of the impact of Covid-19 on revenue, in particular new revenue streams and accrued income due to receipt of grant income, and its accounting arrangements against existing policies and anticipated updated LASAAC guidance;
- ▶ We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Review the accounting for the return of Covid reserves, along with any year end

adjustment;

- ▶ Assess accounting estimates for evidence of management bias; and
- ▶ Evaluate the business rationale for significant unusual transactions.

Having evaluated this risk we will consider whether we need to perform any other specific audit procedures not referred to above.

We will also obtain supporting documentation through independent confirmations of the expenditure incurred by the IJB's partners and their auditors, in line with the protocols set out by Audit Scotland for 2022/23 audits.

4. Best Value and Wider Scope Audit Dimensions

Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Vision, Leadership and Governance; and
- ▶ The use of resources to improve outcomes.

As part of our risk assessment procedures, we have reviewed each dimension to assess potential areas of risk. This section sets out our areas of focus, along with any specific significant risks relating to each dimension.

While we undertake work across the dimensions of public audit on an annual basis, any areas highlighted as significant risks will represent the issues where we expect to direct most of our audit effort.

Any changes in this assessment will be communicated to the Finance, Audit and Scrutiny Committee.

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

Best Value

The Code explains the arrangements for the audit of Best Value in Integration Joint Boards.

Annual Best Value audit work in Integration Joint boards (IJBs) is to be integrated with wider scope annual audit work. We will report on how the IJB demonstrates and reports that it has Best Value arrangements in place, to secure continuous improvement.

The changes to IJBs anticipated from the Scottish Parliament's National Care Service plans mean that the Accounts Commission will no longer require the Controller of Audit to report to the Commission on each IJB's performance on its Best Value duty.

As a result, the findings from our wider scope work will provide assurance on key aspects of the Best Value themes

| Financial management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

We note that the 2021/22 Annual Audit Report did not identify any significant internal control weaknesses which could affect the IJB's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

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 those systems are within the partner bodies rather than the IJB. As a result, we will consider the monitoring and reporting arrangements from partner bodies.

As part of our risk assessment and planning

procedures, we have reviewed the Board's financial monitoring reports. Based on our review of the financial monitoring report presented to the 25 January 2023 Board meeting, we note that the IJB currently projects that it will deliver a small net underspend in 2022/23. The report notes that, as with other IJBs, prescribing costs remain a significant area of risk. While the IJB anticipated in December 2022 that any additional costs could be met from earmarked prescribing reserves, this remains an area of risk to the financial position in 2022/23.

The IJB projects that it will achieve around 97% of planned £6.1 million of savings in 2022/23. We do, however, note that the projected savings requirements in future years are likely to be very challenging.

Our assessment of the Board's financial management arrangements, will focus on:

- ▶ The assessment of arrangements to ensure systems of internal control are operating effectively, drawing upon our ISA 315 work with the IJB's partners;
- ▶ Review of financial monitoring, including clarity about any changes to budgets and projections during the year; and
- ▶ Monitoring the achievement of savings against plans.

Financial Sustainability

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.

We recognise that the pandemic has continued to have a significant impact on the Board's financial planning. The medium-term financial outlook prepared in March 2022 identified a funding shortfall of £60.2 million over the period from 2022-2025. We understand that work is underway to update the assumptions and outlook to support the Board's budget decision-making process in March 2023.

Key uncertainties about future cost pressures remain, including escalating prescribing costs, pay negotiation outcomes and the National

Care Home contract costs. As a result, the Board faces significant costs pressures in 2022/23, which may impact the general reserves position, and an ongoing savings challenge in 2023/24. We have identified this as a wider scope significant risk in Exhibit 4, below.

The Board's current general reserve stands at £28 million, around 1.95% of expenditure; slightly below the target of 2%.

The Board's Workforce Strategy and Action Plan was agreed with the Scottish Government in summer 2022, and approved by the Board in November 2022. The Strategy outlines significant recruitment and retention challenges across a number of areas, including nursing and medical consultant posts.

Exhibit 4: Financial Sustainability Significant Risk

Risk	Rationale	Our response
Development of sustainable and achievable medium term financial plans	<p>The IJB's Medium Term Financial Plan highlights a significant financial challenge. In order to breakeven, savings of over £60 million are required to be found in the next 3 year period.</p> <p>Any failure to deliver savings will place additional pressure on the IJB's general reserve balances.</p>	<ul style="list-style-type: none"> ▶ We will consider updates to the IJB's Medium Term Financial planning throughout the year, and the implications for reserves balances; and ▶ We will review the achievement of planned recurring and non-recurring savings

| Vision, leadership and governance

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

During 2022, the IJB commenced a significant review to update its Strategic Plan. An extensive engagement programme, and the establishment of 12 reference groups, have informed the review. The updated Strategic Plan will be presented to the Board for approval in March 2023.

We note from our review of the Board's arrangements that the IJB conducts an annual review of the effectiveness of the system of internal control and the quality of data used throughout the organisation. The governance review is supported by processes within the IJB's respective partners, Glasgow City Council and NHS Greater Glasgow and Clyde.

The 2021/22 review identified no significant matters impacting the IJB and we note that this was supported by the previous external auditor's commentary on governance and transparency.

Our work in 2022/23 will focus on:

- ▶ Consideration of the disclosures within the Governance Statement;
- ▶ As part of our review of partnership arrangements, we will consider the progress to update and agree a revised Integration Scheme;
- ▶ Review of the coverage of internal audit arrangements during 2022/23, including

any significant findings identified and the work done to address issues identified; and

- ▶ Consideration of the quality of reporting and information provided to key decision makers, and evidence of effective challenge and scrutiny.

| Use of resources

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

The Board's performance continues to be significantly impacted by the pandemic and changing demographics. We also recognise the impact of a significantly challenging financial position.

Each IJB is required to produce an Annual Performance Report, usually by 31 July. Our audit work in 2022/23 will consider:

- ▶ The effectiveness of performance reporting, both within the Annual Report and to the Board;
- ▶ How the IJB is demonstrating the impact of integration; and
- ▶ The effectiveness of plans in improving the outcomes for local people.

We will also review the IJB's arrangements for considering national reports, including evaluating the findings and implementing recommendations, such as reports from the Care Inspectorate.

| Appendices

A - Code of Audit Practice Responsibilities

B - Independence report

C - Required communications with the Finance, Audit and Scrutiny Committee

D - Timing of communications and deliverables of the audit

E - Audit fees

F - Additional audit information

Audited Body Responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

| Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

| Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures;
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in

accordance with the appropriate authority

- ▶ preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements
- ▶ ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

| Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

| Appendix A continued

| Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified;
- ▶ compliance with any statutory financial requirements and achievement of financial targets;
- ▶ balances and reserves, including strategies about levels and their future use;
- ▶ how they plan to deal with uncertainty in the medium and longer term; and
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

| Responsibilities for Best Value, community planning and performance

Local government bodies have a duty to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:

- ▶ the quality of its performance of its functions
- ▶ the cost to the body of that performance
- ▶ the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- ▶ efficiency
- ▶ effectiveness

- ▶ economy
- ▶ the need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on Best Value (2020) requires

bodies to demonstrate that they are delivering Best Value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality.

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

| Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards and, other than local government, requirements set out in the Scottish Public Finance Manual.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appointed Auditors' Responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- ▶ audit the accounts and place a certificate (i.e. an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act
- ▶ satisfy themselves, by examination of the accounts and otherwise, that:
 - ▶ the accounts have been prepared in accordance with all applicable statutory requirements
 - ▶ proper accounting practices have been observed in the preparation of the accounts
- ▶ the body has made proper arrangements for securing Best Value and is complying with its community planning duties
- ▶ hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

Required Communications

| Planning Stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

| Final Stage

- ▶ To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and
- ▶ An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor.

Appendix C: Required Communications

We have detailed below the communications that we must provide to the Board.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Finance, Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	This audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	This audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report - September 2023

Appendix C continued

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty; ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and, ▶ The adequacy of related disclosures in the financial statements. 	Audit results report - September 2023
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▶ The effect of uncorrected misstatements related to prior periods; ▶ A request that any uncorrected misstatement be corrected; ▶ Corrected misstatements that are significant; and, ▶ Material misstatements corrected by management. 	Audit results report - September 2023
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity; ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist; and, ▶ A discussion of any other matters related to fraud. 	Audit results report - September 2023
Internal controls	Significant deficiencies in internal controls identified during the audit.	Audit results report - September 2023

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management; ▶ Inappropriate authorisation and approval of transactions; ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations; and, ▶ Difficulty in identifying the party that ultimately controls the entity. 	Audit results report - September 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards; and, ▶ Information about the general policies and process within the firm to maintain objectivity and independence. 	This audit planning report and audit results report (September 2023)
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report - September 2023
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit results report - September 2023

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▶ Enquiry of the Finance, Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Audit and Scrutiny Committee may be aware of. 	Audit results report - September 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit results report - September 2023
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit results report - September 2023
Best Value and Wider Scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	Audit results report - September 2023
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	Audit results report - September 2023

Appendix D: Timeline of communication and deliverables

	Audit Activity	Deliverable	Timing
January	Risk assessment for Financial Statements and wider scope audit dimensions		
February		Annual Audit Plan	8 February 2023
March	Walkthrough of key systems and processes.	Submission of quarterly fraud return	
April			
May			
June	Update meeting with Finance Team	Submission of quarterly fraud return	
July	Year end audit fieldwork		
August			
September		Audit completion procedures	Annual Audit Report

Appendix E: Audit Fees

2022/23 Fees

The Board's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2022/23	2021/22
Component of fee:		
Auditor remuneration - expected fee	£33,960	
Additional audit procedures (note 1)	-	
Audit Scotland fixed charges:		
Performance audit and best value	£6,460	
Audit support costs	£1,290	
Sectoral price cap	(£10,240)	
Total fee	£31,470	£27,960

The expected fee, set by Audit Scotland, assumes that the Board has well-functioning controls, an effective internal audit service, and an average risk profile.

Note 1

Where auditors identify that additional work is required because of local risks and circumstances in a body, the auditor may negotiate an increase to auditor remuneration by up to 10% of auditor remuneration. Should additional audit requirements arise we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Finance, Audit and Scrutiny Committee within our Annual Audit Report.

Appendix E: Additional Audit Information

Introduction

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Finance, Audit and Scrutiny Committee reporting appropriately addresses matters

communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and

- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

- ▶ For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- ▶ Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- ▶ The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

| Audit Quality Framework / Annual Audit Quality Report

- ▶ Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- ▶ We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>
- ▶ EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: https://www.ey.com/en_uk/about-us/transparency-report

| This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Auditor General has appointed us as external auditor of Glasgow Integration Joint Board for financial years 2022/23 to 2026/27.

This report is for the benefit of the Board and is made available to the Accounts Commission and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests,

needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

| Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

EY | Assurance | Tax | Transactions | Advisory

About EY

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