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## Glasgow City Integration Joint Board – Finance, Audit and Scrutiny Committee

**21 October 2020**

### Glasgow City Integration Joint Board – Audit of 2019/20 annual accounts

#### Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review and receipt of assurances from the external auditors Glasgow City Council, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 25 November 2020 following Board consideration of the accounts (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we 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 present for the Finance, Audit and Scrutiny Committee's consideration our draft annual report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also 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.
6. We have no unadjusted misstatements to be corrected.

#### Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Chief Officer (Finance and Resources) on aspects of the annual accounts, including the judgements and estimates made.

8. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report 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

### 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 2020 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 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of Glasgow City Integration Joint Board as at 31 March 2020 and of its income and expenditure 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 2019/20 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. 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 was appointed under arrangements approved by the Accounts Commission on 7 January 2019. The period of total uninterrupted appointment is two years. I am independent of 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 Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to Glasgow City Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Officer (Finance and Resources) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Glasgow City Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

## **Responsibilities of the Chief Officer (Finance and Resources) and the Finance, Audit and Scrutiny Committee 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.

In preparing the financial statements, the Chief Officer (Finance and Resources) is responsible for assessing Glasgow City Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Finance, Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain 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) 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **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, the audited part of the Remuneration Report, 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, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on other requirements

### Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited 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 audited 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.

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

## Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Cornett, Audit Director  
4<sup>th</sup> Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

## APPENDIX B: Letter of Representation (ISA 580)

John Cornett, Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear John

### **Glasgow City Integration Joint Board Annual Accounts 2019/20**

1. This representation letter is provided in connection with your audit of the annual accounts of Glasgow City Integration Joint Board for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of Glasgow City Integration Joint Board, the following representations given to you in connection with your audit of Glasgow City Integration Joint Board 's annual accounts for the year ended 31 March 2020.

### **General**

3. Glasgow City Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Glasgow City Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
4. 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.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Glasgow City Integration Joint Board at 31 March 2020 and the transactions for 2019/20.

## **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Glasgow City Integration Joint Board's circumstances and have been consistently applied.
8. There are no significant accounting estimates included in the financial statements.

## **Prior Year Restatement of Set Aside Values**

9. As disclosed in notes to the accounts, following receipt of updated information from NHS Greater Glasgow and Clyde on set aside values, 2018/19 notional set aside expenditure has been restated to reflect actual costs incurred. Prior year funding contributions have also been restated to match the actual costs incurred.

## **Going Concern Basis of Accounting**

10. I have assessed Glasgow City Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Glasgow City Integration Joint Board's ability to continue as a going concern.

## **Fraud**

11. I have provided you with all information in relation to
  - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## **Laws and Regulations**

12. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

13. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Glasgow City Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

## **Remuneration Report**

14. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management commentary**

15. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

16. I confirm that the Glasgow City Integration Joint Board has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
17. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

## **Balance Sheet**

18. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

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

# Glasgow City Integration Joint Board

2019/20 Annual Audit Report - DRAFT



Prepared for Glasgow City Integration Joint Board and the Controller of Audit  
25 November 2020

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# Key messages

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## 2019/20 annual accounts

- 1 Our audit opinions on the annual accounts of Glasgow City Integration Joint Board (the IJB) are unmodified.
- 2 The IJB's financial statements give a true and fair view of the state of affairs of the IJB and its income and expenditure for the year, and were properly prepared in accordance with the financial reporting framework.
- 3 The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.
- 4 We received the unaudited annual accounts on 24 June 2020 in line with our agreed audit timetable. In light of the working restrictions arising from the current COVID-19 pandemic combined with the need to maintain the quality of our audit in a remote working environment, we agreed, with senior officers of the IJB, to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and reprofile the timing and delivery of our audit to September 2020.

## Financial management and sustainability

- 5 The IJB has appropriate and effective financial management arrangements in place.
- 6 Budgetary processes provide timely and reliable information for monitoring financial performance. The level of uncommitted reserves dropped slightly at 31 March 2020 although the IJB has plans in place to increase this in the medium term.
- 7 The IJB has a medium-term financial plan covering the period 2020 to 2023, however this will need to be updated to reflect the current and future impact of the COVID-19 pandemic.

## Governance, transparency and best value

- 8 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. It conducts business in an open and transparent manner.
- 9 Governance arrangements within the IJB were significantly impacted by the COVID-19 pandemic. The revised arrangements were appropriate and adequate under the current circumstances.
- 10 The IJB has put in place arrangements to demonstrate the achievement of Best Value.
- 11 The IJB has effective performance management arrangements in place. Going forward, the IJB will need to keep key performance indicators under review and re-assess targets to reflect the impact of COVID-19 on methods of service delivery and associated outcomes.

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# Introduction

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**1.** This report is a summary of our findings arising from the 2019/20 audit of Glasgow City Integration Joint Board (the IJB).

**2.** The scope of our audit was set out in our Annual Audit Plan presented to the Finance, Audit and Scrutiny Committee meeting on 19 February 2020. This report comprises the findings from our main elements of work in 2019/20 including:

- an audit of the IJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

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**3.** Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have a significant impact into financial year 2020/21. This has had significant implications for the provision and costs of services and the suspension of planned projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

## Adding value through the audit

4. We add value to the IJB, through audit, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

6. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice (2016), supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements
- the suitability and effectiveness of corporate governance arrangements
- the financial position and arrangements for securing financial sustainability.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

## Auditor independence

11. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**13.** This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**14.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2019/20 annual accounts



### Main judgements

Our audit opinions on the annual accounts of Glasgow City Integration Joint Board (the IJB) are unmodified.

The IJB's financial statements give a true and fair view of the state of affairs of the IJB and its income and expenditure for the year, and were properly prepared in accordance with the financial reporting framework.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

We received the unaudited annual accounts on 24 June 2020 in line with our agreed audit timetable. In light of the working restrictions arising from the current COVID-19 pandemic combined with the need to maintain the quality of our audit in a remote working environment, we agreed, with senior officers of the IJB, to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and reprofile the timing and delivery of our audit to September 2020.

The annual report and accounts are the principal means of accounting for the stewardship of the resources and performance.

### Our audit opinions on the annual accounts are unmodified

**15.** The annual accounts for the year ended 31 March 2020 were approved by the board on 25 November 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view of the state of affairs of the IJB and its income and expenditure for the year, and were properly prepared in accordance with the financial reporting framework
- the management commentary, audited part of the remuneration report and annual governance statement were all consistent with the financial statements and properly prepared in accordance with applicable accounting practices.

**16.** The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly.

### The annual accounts were signed off in line with the timescales permitted to reflect COVID-19

**17.** Schedule 6 of the Coronavirus (Scotland) Act 2020 extended the administrative deadlines for local government bodies to submit accounts for audit, and also the consideration and approval of audited accounts. The IJB was able to provide the unaudited annual accounts to the audit team on 24 June 2020, in line with our previously agreed audit timetable.

**18.** We received the unaudited annual accounts on 24 June 2020 in line with our agreed audit timetable. In light of the working restrictions arising from the current COVID-19 pandemic combined with the need to maintain the quality of our audit in a remote working environment, we agreed, with senior officers of the IJB, to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and reprofile the timing and delivery of our audit to September 2020.

## Overall materiality is £22.5 million

**19.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual report and accounts. Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

**20.** Our initial assessment of materiality for the annual accounts was carried out during the planning stage of the audit based on figures from the 2018/19 audited accounts. On receipt of the unaudited annual accounts, we reviewed and updated our initial assessment of materiality to reflect the more up-to-date information in the unaudited accounts. This did not impact our planned audit approach. Our amended materiality levels are summarised in [Exhibit 2](#).

## Exhibit 2 Revised materiality values

Materiality level	Amount
Overall materiality	£22.5 million
Performance materiality	£14.75 million
Reporting threshold	£225 thousand

Source: Audit Scotland

## Appendix 2 identifies the main risks of material misstatement and our audit work to address these

**21.** [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team are directed. Appendix 2 also identifies the work we undertook to address these risks and our conclusions from this work.

**22.** We have no issues to report from our work on the risks of material misstatement.

## We have no significant findings to report on the annual accounts

**23.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

**24.** We have no significant findings to report from our financial statements audit.

## Other findings

**25.** In 2019/20, the IJB changed its segmental reporting within the financial statements to reflect the way financial performance was reported to the board and committee during the financial year. In addition, the health board was able to provide actual set aside expenditure figures rather than notional figures. In accordance with accounting standards, the 2018/19 prior year information disclosed in the annual accounts was restated to provide meaningful comparatives for both these issues.

**26.** During our review of the accounts presented for audit, we noted some differences in the expected restatement of these prior year values. Although reconciliations had been prepared to demonstrate the correct change in prior year figures, these were not fully reflected in the unaudited accounts presented for audit. The errors were corrected for the audited accounts, and officers have reviewed and updated the accounts closure and quality assurance checklist to address this matter going forward.

## Identified misstatements of £0.448 million were adjusted in the accounts, these were less than our performance materiality and we did not need to further revise our audit approach

**27.** One misstatement for £0.448 million was identified during the audit. This related to an error in a stock certificate that was identified as part of Glasgow City Council's accounts closedown process, which took place after the IJB had prepared its accounts. The net impact of correcting this error was to decrease expenditure by £0.448 million, resulting in a revised deficit of £1.529 million. This also resulted in a corresponding increase in general reserves to £45.349 million.

## Good progress was made on prior year recommendations

**28.** One recommendation was made in the prior year report, relating to the opportunity to review the management commentary to ensure it remains focused and takes account of good practice. As noted in [Appendix 1](#), management engaged with Audit Scotland on this prior to preparing the 2019/20 Annual Accounts.

# Part 2

## Financial management and sustainability



### Main judgements

The IJB has appropriate and effective financial management arrangements in place.



Budgetary processes provide timely and reliable information for monitoring financial performance. The level of uncommitted reserves dropped slightly at 31 March 2020 although the IJB has plans in place to increase this in the medium term.

The IJB has a medium-term financial plan covering the period 2020 to 2023, however this will need to be updated to reflect the future impact of the COVID-19 pandemic.

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

### The 2019/20 budget included planned savings and contributions from reserves to address the funding gap

#### Budget setting

**29.** The IJB conditionally approved its 2019/20 budget of £1.2 billion in March 2019. The budget identified a funding gap of £23 million and plans to address this included savings of £19 million and a transfer of £4 million from reserves. The conditional approval of the budget was subject to:

- approval of health board funding by NHS Greater Glasgow & Clyde; and
- discussion with Glasgow City Council in relation to the joint development of a financially sustainable solution for the costs associated with both homecare and Housing First.

**30.** The funding offer from NHS Greater Glasgow & Clyde was formally approved by the IJB at its meeting in June 2019, following the health board's approval of its own budget in April 2019.

**31.** In its funding offer, Glasgow City Council confirmed it would continue to engage with the IJB to identify a financially sustainable solution to address cost pressures within homecare services going forward. In September 2019, it was agreed that the IJB would fund 50% of the 2019/20 overspend associated with homecare services with Glasgow City Council funding the remaining 50%. It was agreed that this would be baselined into budgets for 2020/21 onwards.

**32.** During the year, a number of adjustments were made to the budget to reflect additional funding streams and commitments. Senior management and members were kept updated on these amendments through regular monitoring and reporting of the IJB's financial position. The IJB has appropriate budget monitoring arrangements in place.

## Efficiency savings

**33.** The IJB is required to make efficiency savings to maintain financial balance. Planned savings for 2019/20 were set at £19.555 million during the 2019/20 budget-setting process and savings plans included service reviews and efficiencies within homelessness services and prescribing, the Children and Families Transformation Programme, and through the Maximising Independence Programme. The savings target was revised to £18.255 million as a result of an agreed phased approach to savings within homelessness services. The actual outturn position was £17.062 million, 93% of target. The unachieved savings are in relation to the first year of the Maximising Independence Programme.

**34.** The IJB has demonstrated a reasonable track record in the delivery of its agreed savings targets, although unanticipated levels of demand in 2019/20 have made this difficult. Ageing populations and increasing numbers of people with long-term conditions and complex needs will continue to place significant pressure on health and social care budgets. Going forward, these pressures, along with the need to redirect resources to address challenges arising from the COVID-19 pandemic, will make it increasingly challenging for the IJB to deliver its savings targets whilst meeting its strategic priorities and statutory obligations.

## The IJB operated within budget in 2019/20

**35.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and the Chief Officer (Finance and Resources). All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

**36.** The IJB recognised an underspend of £14.727 million against its funding allocation in-year. This has been transferred into earmarked reserves for use in funding projects in 2020/21 and future years. The IJB also utilised £16.256 million of reserves to match the commitments for which they were earmarked. When taking into account the drawdown of these reserves, a year-end deficit of £1.529 million was recognised, as detailed in [Exhibit 3](#).

## Exhibit 3 Performance against budget

IJB budget summary	NHS Greater Glasgow & Clyde £m	Glasgow City Council £m	Total £m
Net funding contribution	917.644	417.729	1,335.373
Total expenditure			1,320.646
<b>2019/20 underspend</b>			<b>14.727</b>
Earmarked reserves drawn down			16.256
<b>2019/20 deficit on the provision of services</b>			<b>1.529</b>

Source: Glasgow City Integration Joint Board

## Financial systems of internal control operated effectively

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

**38.** As part of our audit approach we sought assurances from the external auditor of NHS Greater Glasgow & Clyde and Glasgow City Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls for the health board and no weaknesses in the systems of internal controls for the council.

## Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

**39.** The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partnership bodies. It is updated with relevant matters through a range of reporting methods, including six-monthly reporting by internal audit on audit activity at partner bodies that is of relevance to the IJB. The IJB also has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest is publicly available on the Board's website.

**40.** We reviewed the arrangements in place at Glasgow City Council and NHS Greater Glasgow & Clyde through consideration of the work by partner body auditors. We concluded that appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

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.

## Financial planning and sustainability

**41.** The IJB allocates the resources it receives from the health board and the council in line with its strategic plan. The current strategic plan was approved by the board in March 2019 and covers the period 2019 to 2022.

**42.** The board considered partner body financial allocations and budgets for 2020/21 at its meeting of 25 March 2020. The indicative funding offer of £937 million (including set aside) made by the health board was conditionally accepted at this meeting. The funding offer would usually be confirmed by the health board following approval of its own budget in April. However, the IJB has still to receive formal confirmation of the allocated budget from the health board. The IJB has continued to operate through 2020/21 on the basis that the indicative offer will form the baseline of the health board's allocation.

**43.** The council's funding offer of £441 million for 2020/21 did not include additional funding of £2.3 million to cover its share of the anticipated deficit within homecare services. As noted at paragraph [31](#), the council previously advised the IJB in September 2019 that this would be included within budgets for 2020/21 onwards. The offer of £441 million was conditionally accepted by the IJB in March 2020, on the basis that the additional funding for homecare services was discussed further with the council.

**44.** The impact of COVID-19 has delayed the IJB's progress in resolving these with the respective partners. We will continue to monitor the IJB's progress in agreeing

its final budget for 2020/21 and report our updated assessment of this process as part of our audit of the 2020/21 financial statements.

## Reserves strategy

**45.** Reserves are an integral part of the medium and longer-term financial planning of the IJB and its financial sustainability. The IJB holds reserves as a contingency to mitigate the impact of unanticipated pressures and also to meet specific future commitments. The board aims to hold uncommitted reserves equating to 2% of net expenditure, however it recognises this will take time to establish. As part of the Medium-Term Financial Outlook it has set a target of 1.5% uncommitted reserves by March 2023.

**46.** The balance of the IJB's uncommitted reserves was reduced to £13.998 million in 2019/20 (2018/19: £14.251 million), with £0.253 million redistributed to earmarked reserves to support the approved investment in the Maximising Independence Programme. This equates to approximately 1% of IJB net expenditure compared to 1.2% in the prior year, demonstrating a slight decline in progress towards the IJB's medium and longer-term targets of 1.5% and 2% respectively.

## The IJB has a medium-term financial plan but has not developed a longer-term plan

**47.** The IJB approved a three-year Medium-Term Financial Outlook in March 2020. This covers the period 2020 to 2023 and supports the development of the current strategic plan. The report details a range of scenarios and factors that impact on the IJB's ability to deliver the strategic plan, including anticipated funding levels, cost pressures arising from inflation, service demand and change in demographics, along with anticipated legislative changes and policy commitments. The Outlook is updated annually to recognise changes in these scenarios and factors. The report identifies a potential funding gap of £14 million in 2020/21, rising to over £83 million by 2022/23.

**48.** The IJB plans to address the 2020/21 funding gap through efficiency savings alongside service reform and prioritisation. The IJB recognises that the challenges associated with the COVID-19 pandemic may impact the IJB's ability to deliver these planned savings in 2020/21 and potentially require the organisation to further use uncommitted reserves to manage the financial risk. This risk will be monitored throughout 2020/21 by the IJB and reported to the board, and delivery of planned savings will be monitored through the transformation board.

## The financial impact of the COVID-19 pandemic is likely to be significant on future financial plans

**49.** The 2019/20 annual accounts included £0.796 million of additional costs associated with the COVID-19 pandemic. The accounts were prepared on the assumption that the Scottish Government will meet these additional costs, and this is the assumption which has been made by the IJB for future years. At the end of September 2020, the Scottish Government announced an overall funding package to support health boards and IJBs in addressing the financial challenges arising from COVID-19 in 2020/21. The IJB is currently engaging with health and other IJB partners to review the details of the package and identify the funding streams at individual IJB level.

**50.** The IJB has demonstrated awareness of the challenges ahead and has put in place effective arrangements to ensure the financial sustainability of the organisation over the medium term. However, the IJB will need to factor the additional financial challenge along with an estimate of future burdens associated with the COVID-19 pandemic into its current medium-term financial plans.

# Part 3

## Governance, transparency and best value



### Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. It conducts business in an open and transparent manner.



Governance arrangements within the IJB were significantly impacted by the COVID-19 pandemic. The revised arrangements were appropriate and adequate under the current circumstances.

The IJB has put in place arrangements to demonstrate the achievement of Best Value.

The IJB has effective performance management arrangements in place. Going forward, the IJB will need keep key performance indicators under review and re-assess targets to reflect the impact of COVID-19 on methods of service delivery and associated outcomes.

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.

### Governance arrangements are appropriate

51. The governance and transparency arrangements we consider include:

- board and committee structure and conduct;
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption;
- openness of board and committees; and
- reporting of performance and whether this is fair, balanced and understandable.

52. Overall, we concluded that the arrangements in place support good standards of governance and accountability.

### The COVID-19 pandemic had a significant impact on governance arrangements from March 2020

53. The impact of COVID-19 from March 2020 has been set out in the Annual Governance Statement in the IJB's annual accounts. We noted that the following steps were taken to amend governance arrangements:

- Initiation of temporary decision-making arrangements, with the board delegating authority to the Interim Chief Officer and the Chief Officer (Finance and Resources) in consultation with the Chairs and Vice Chairs of the IJB and the Finance, Audit and Scrutiny Committee to meet immediate operational demand;

- Decisions made under temporary arrangements logged to capture the approval timeline;
- Temporary suspension of the Finance, Audit and Scrutiny Committee, and Public Engagement Committee; and
- Virtual board and committee meetings with members either joining online or dialling in.

**54.** The IJB kept these arrangements under review through the summer, and in September 2020, the temporary decision-making arrangements were discontinued. The Finance, Audit and Scrutiny Committee also reconvened in September, and the Public Engagement Committee is due to recommence in December 2020. Meetings continue to be held in a virtual environment, in line with Scottish Government guidance for safer workplaces during the pandemic.

**55.** We concluded that the revised arrangements are appropriate and adequate under the current circumstances, and they support good standards of governance and accountability.

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

### Arrangements are in place to secure best value

**56.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. To achieve this, IJBs should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

**57.** To allow the IJB to demonstrate best value in decision-making arrangements and to ensure that consequences of decisions are clear, including the delivery of best value, reports requiring decisions include detailed information on the following:

- the options available;
- the implications for service users and providers;
- the results of any consultation which has taken place;
- the financial consequences and how these will be funded; and
- the contribution to saving plans from proposals.

**58.** To ensure that savings plans have minimal effect on the quality of care or service provided, savings proposals are subject to an equality impact assessment. The results of these assessments are available to members.

### Performance management

**59.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as: assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities and the inspection of services.

**60.** The IJB receives a strategic overview of performance on a quarterly basis. More detailed performance reports are scrutinised at the Finance, Audit and

Scrutiny Committee. These reports detail a range of performance information for each service area and use a traffic light system to highlight achievement targets.

**61.** This detailed performance information is used to inform the annual performance report. The 2019/20 annual performance report was presented to the board at its meeting on 23 September 2020. This was in line with the revised target date of 30 September 2020 under the powers granted by the Coronavirus (Scotland) Act 2020. The content of the 2019/20 annual performance report was in line with applicable requirements and supporting guidance.

**62.** Performance levels are measured against a suite of key performance indicators, comparing current, prior year (2018/19) and baseline (2015/16) performance. The 2019/20 annual performance report highlights a number of areas where the IJB's performance has shown the greatest improvement in 2019/20, including the number of children in out-of-authority placements; the percentage of Community Payback Order unpaid work placements commenced within seven days of sentence; and the percentage of women smoking in pregnancy.

**63.** The 2019/20 annual performance report also acknowledges a number of areas where improvement is required and sets out key actions the IJB will progress to achieve these improvements. Examples of the areas for improvement include:

- children's services – increasing the percentage of children with access to Child and Adolescent Mental Health Services;
- adult mental health – reducing the number of adult mental health service delays; and
- HR – reducing sickness absence rates.

**64.** The IJB has effective performance management arrangements in place, which are used to target effective service delivery and support improvement activity. Going forward, COVID-19 is likely to impact on service performance and achievement of individual targets to differing degrees. The IJB will need to keep indicators under review and re-assess targets to take account of the COVID-19 impact on service delivery.

## National performance audit reports

**65.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published some reports which may be of direct interest to the board as outlined in [Appendix 3](#).

**66.** The IJB has appropriate arrangements in place for considering and reviewing national reports including any locally agreed actions.

# Appendix 1

## Action plan 2019/20



No. Issue/risk



Recommendation



Agreed management action/timing

### Follow up of prior year recommendation

1	<b>Management Commentary</b>  As part of the financial statements audit, we noted that the 2018/19 annual accounts are comprehensive and continue to demonstrate elements of good practice. However, moving forward there is scope to review and refresh the form and content to ensure they: <ul style="list-style-type: none"> <li>• remain focused on the issues relevant to the IJB while still meeting reporting requirements</li> <li>• take account of other good practice emerging nationally.</li> </ul> <b>Risk</b>  The accounts narrative is not focused and therefore does not fully reflect good practice.	Going forward, officers should engage with Audit Scotland around the form and content of the annual accounts for 2019/20 and consider any good practice examples arising from across the sector.	Discussions were held with the IJB and areas of good practice and improvement were shared by the audit team.  These suggestions were taken on by the IJB and good progress has been made in implementing them in the 2019/20 management commentary.  It is recognised that this is an evolving process and the form and content of the management commentary will continue to be reviewed by the IJB and reviewed by Audit Scotland as part of the routine financial statements audit.  <b>Action complete.</b>
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# 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 report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of material misstatement caused by management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Assessment of the estimation methodology applied by the IJB and the reasonableness of the estimates contained in the financial statements.</p> <p>Evaluation of the assurances from the IJB's partner bodies' external auditors, who carry out testing of accruals and prepayments.</p>	<p>Significant journals processed by the IJB were reviewed, with no issues identified.</p> <p>No significant accounting estimates were made by the IJB in the preparation of the annual accounts. This was considered reasonable.</p> <p>Testing of accruals and prepayments was carried out by the external auditors of the IJB's partner bodies. No issues were identified which would have an impact on the processing of IJB transactions or our audit approach.</p> <p><b>No evidence of management override of controls from work performed.</b></p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>2 Financial management – Set aside</b></p> <p>The 2018 Scottish Parliament report, "Looking ahead to the Scottish Government - Health Budget 2019-20: Is the budget delivering the desired outcomes for health and social care in Scotland?", concluded that the set aside budget is, generally, not operating as intended. Significantly, the report highlights that there is a disconnect between how the set aside budget should operate in principle compared with how it is operating in practice meaning that this mechanism for shifting the</p>	<p>The Strategic Commissioning Plan for Unscheduled Care Services in NHS Greater Glasgow and Clyde which is being developed.</p> <p>Regular updates on progress in relation to set aside provided to both the IJB and the Ministerial Steering Group.</p>	<p>A draft Unscheduled Care Commissioning Plan was presented to the board in March 2020. Stakeholder engagement on the draft has commenced and the IJB is leading on the development of a financial framework, although COVID-19 has impacted on timescales for completion. The IJB intends to present a final plan to the board in late spring 2021.</p> <p><b>Working with partners, the IJB demonstrates continued progress in the development of set aside arrangements.</b></p>

Audit risk	Assurance procedure	Results and conclusions
<p>balance of care is not being utilised effectively.</p> <p>An effective set aside mechanism, which takes account of the shift in services from hospitals to community and social care, will provide the IJB more control in utilising the set aside budget to deliver its strategic objectives and help ensure financial sustainability.</p>		

# Appendix 3

## Summary of national performance reports 2019/20



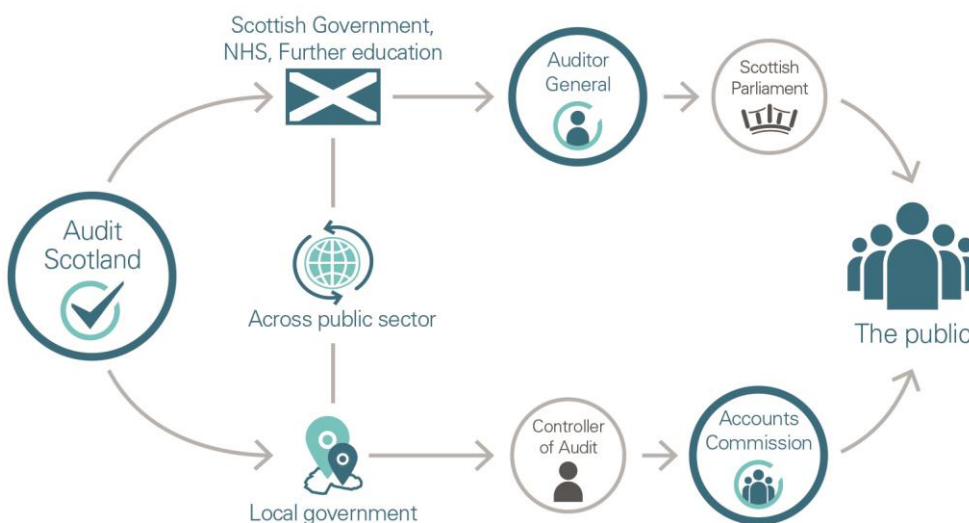
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	Early learning and childcare: follow-up

# Appendix 4

## 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.

# Glasgow City Integration Joint Board

## 2019/20 Annual Audit Report - DRAFT

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