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Glasgow City Integration Joint Board

22 September 2021

Glasgow City Integration Joint Board Audit of 2020/21 annual accounts

Independent auditor's report

1. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to the receipt of a revised set of annual accounts for final review and receipt of assurances from the external auditors of the IJB's partner bodies; NHS Greater Glasgow and Clyde and Glasgow City Council, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 22 September 2021, 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 2020/21 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.

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

Reporting 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 2021 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 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of Glasgow City Integration Joint Board as at 31 March 2021 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 2020/21 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 three 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on 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 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 judgements 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how Glasgow City Integration Joint Board is complying with that framework;
- identifying which laws and regulations are significant in the context of Glasgow City Integration Joint Board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Glasgow City Integration Joint Board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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. This description forms part of [my/our] auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Chief Officer (Finance and Resources) is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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

4th Floor

8 Nelson Mandela Place

Glasgow

G2 1BT

Appendix B: Letter of Representation (ISA 580)

John Cornett, Audit Director
Audit Scotland
8 Nelson Mandela Place
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G2 1BT

Dear John,

Glasgow City Integration Joint Board Annual Accounts 2020/21

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 2021 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 2021.

General

3. Glasgow City Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 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, including transactions in which Glasgow City Integration Joint Board are considered to be acting as the 'principal'. Transactions where the Board are acting as an agent have been properly excluded from 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 2020/21 (2020/21 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 Glasgow City Integration Joint Board at 31 March 2021 and the transactions for 2020/21.

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 2020/21 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.

Going Concern Basis of Accounting

9. 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

10. 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

11. 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

12. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all Glasgow City Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

13. 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

14. 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

15. I confirm that the Glasgow City Integration Joint Board has undertaken a review of the system of internal control during 2020/21 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.

16. 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 2021, which require to be reflected.

Balance Sheet

17. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed, including the additional funding allocated by NHS Greater Glasgow and Clyde Health Board in relation to waiting time activity.

Additional COVID-19 funding

18. Additional funding streams have been received from the Scottish and UK government within the financial year to help support frontline services and manage the financial pressures caused by the pandemic. This resulted in associated new expenditure streams. This funding and associated expenditure have been accounted for within 20/21 financial statements in line with the LASAAC guidance published in May 2021 on accounting for coronavirus grants

Yours sincerely

Sharon Wearing

Chief Officer (Finance and Resources)

Glasgow City Integration Joint Board

Glasgow City Integration Joint Board

2020/21 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

Prepared for Glasgow City Integration Joint Board and the Controller of Audit
September 2021

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Key messages

2020/21 annual report and accounts

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

Financial management and sustainability

- 2 The IJB returned an operational underspend of £17.9 million against a forecasted underspend of £14.3 million, mainly due to vacancies and staff turnover, alongside reduced service costs in some areas because of COVID-19.
- 3 Uncommitted general reserves have increased to 2% of net expenditure, in line with the IJB's reserves policy.
- 4 The medium-term financial outlook has been updated to reflect the impact of COVID-19, with an identified funding shortfall of £58 million over the period 2021-2024. Future efficiency and transformation savings alone are unlikely to address this gap. The IJB should continue to work with partners to develop a revised financial strategy which ensures the IJB remains financially sustainable.

Governance, Transparency and Best Value

- 5 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the COVID-19 pandemic have been appropriate and operated effectively.
- 6 The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value.
- 7 The IJB has kept performance indicators and associated targets under review to ensure that these reflect the impact of COVID-19 on methods of service delivery and the associated outcomes. The IJB should continue to keep these under review, to ensure key indicators remain appropriate.

Introduction

1. This report summarises the findings from our 2020/21 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 14 April 2021. This report comprises the findings from:

- an audit of the IJB's 2020/21 annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).

3. The global coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. This has had significant implications nationally for services, sickness absence levels and the delivery of planned projects and initiatives. Locally, risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our audit work at the IJB to address these risks.

Adding value through the audit

4. We add value to the IJB through our 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 2](#)) 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 doing so, 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 and supplementary guidance, and International Standards on Auditing in the UK. 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, and the financial position and arrangements for securing financial sustainability.

8. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

9. 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

10. 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.

11. 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 2020/21 audit fee of £27,330, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. 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.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of the resources and performance

Main judgements

Our audit opinions on the annual accounts of the IJB are unmodified.

Our audit opinions on the annual accounts are unmodified

13. The annual accounts for the year ended 31 March 2021 were approved by the IJB on **DD/MM/2021**. As reported in the independent auditor's report:

- 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, the audited part of the remuneration report, and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The COVID-19 pandemic had limited impact on audit evidence

14. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the COVID-19 pandemic. 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 amended timescales permitted to reflect the impact of COVID-19

15. As a result of the continuing impact of COVID-19, the submission deadline for IJBs' audited annual accounts and annual audit reports have been extended to 30 November 2021.

16. The unaudited annual accounts were received in line with our agreed audit timetable on 23 June 2021. This allowed us to sign off the annual accounts in line with the revised timescales.

Overall materiality is £22.75 million

17. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of any identified misstatements on the audit. We identify a benchmark on which to base overall materiality such as gross expenditure and apply what we judge to be the most appropriate percentage level for calculating materiality values.

18. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the financial statements. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

19. Our initial assessment of materiality was carried out during the planning stage of the audit. We reviewed this assessment on receipt of the unaudited annual accounts and concluded it remained appropriate. Our 2020/21 materiality levels are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£22.75 million
Performance materiality	£14.75 million
Reporting threshold	£250 thousand

Source: Audit Scotland

Appendix 1 identifies the main risks of material misstatement and our audit work to address these

20. [Appendix 1](#) 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 1](#) also identifies the work we undertook to address these risks and our conclusions from this work.

We have no significant findings to report on the annual accounts

21. 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 IJB's accounting practices covering

accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report.

There were no misstatements identified in the annual accounts

22. There were no misstatements identified that exceeded our reporting threshold.

23. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements and there are no unadjusted misstatements to report.

2. Financial management and sustainability

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

Main judgements

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

The IJB returned a surplus of £71.523 million for the year. Taking account of specific funding earmarked for future use, and utilisation of existing reserves, the IJB generated an operational underspend of £17.9 million against a forecasted underspend of £14.3 million.

The operational underspend has been utilised to increase uncommitted general reserves to 2% of net expenditure, in line with the IJB's reserves policy.

The medium-term financial outlook has been updated to reflect the impact COVID-19, with an identified funding shortfall of £58 million over the period from 2021-2024. Future efficiency and transformation savings alone are unlikely to address this gap. The IJB should continue to work with partners to develop a revised financial strategy which ensures the IJB remains financially sustainable.

The 2020/21 budget included planned savings to address the identified funding gap for the year

24. The IJB conditionally approved its 2020/21 budget of £1.3 billion in March 2020. The budget identified a funding gap of £13.770 million with plans to address this using identified savings. Savings plans included service reviews and efficiencies across several services including transport, the removal of the prescribing contingency and the Maximising Independence Programme. The conditional approval of the budget was subject to:

- approval of health board funding by NHS Greater Glasgow and Clyde; and
- approval of Glasgow City Council funding on the basis that funding of Homecare Services continues to be discussed.

25. The final projected underspend for the financial year 2020/21 was £14.3 million. As part of the regular budget monitoring reports provided to Senior Management and members, the IJB recommended that if the IJB's financial position was an underspend, this should be held within General Reserves to provide the IJB with a reasonable contingency to deal with future risks.

The budget process was appropriate

26. Adjustments were made to the budget to reflect additional funding streams and commitments. The budget was initially completed with a high level of uncertainty due to the COVID-19 pandemic and as a result, the final position was expected to change. Detailed budget monitoring reports were submitted to meetings of the IJB throughout the year. The outturn to date was made clear within each budget monitoring report and the forecast year-end outturn position was reported to the IJB from November 2020 onwards. The actual year-end outturn position was in line with expectations.

27. The content of the budget monitoring reports was regularly updated to reflect the financial impact of COVID-19. An additional section was included that highlighted additional income received and expenditure incurred as a result of COVID-19. This ensured the IJB were aware of how COVID-19 impacted on the overall financial position and outturn.

28. Senior management and members receive regular and accurate financial information on the IJB's financial position, and we have concluded the IJB has appropriate budget monitoring arrangements.

The IJB returned an underspend in 2020/21

29. The impact on public finances of the COVID-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses, and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

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

31. Alongside additional service led expenditure that received match funding from the Scottish Government, the IJB's 2020/21 accounts include £45.8 million of specific costs that were incurred because of the COVID-19 pandemic. These costs have been fully funded by the Scottish Government and the accounts were prepared on the assumption that the Scottish Government will continue to fund additional COVID-19 expenditure during 2021/22.

32. The IJB's accounts disclose a surplus of £71.523 million in the financial year ([Exhibit 3](#)). This surplus comprises £57.3 million of ring-fenced funding and an operational underspend for the year of £17.9 million. The operational underspend includes a drawdown from reserves of £3.699 million, therefore the underlying underspend for the year is £14.201 million.

Exhibit 3**Performance against budget**

IJB budget summary	NHS Greater Glasgow & Clyde £m	Glasgow City Council £m	Total £m	Total £m
Net funding contribution	1,100.548	428.368	(1,528.916)	
Total expenditure			1,457.393	
2020/21 surplus on the provision of services				(71.523)
Represented by:				
Funding received transferred to earmarked reserves				(57.322)
Earmarked reserves drawn down in year			3.699	
2020/21 operational underspend			(17.900)	
Underlying underspend				(14.201)

Source: Glasgow City Integration Joint Board

33. The £57.322 million ring-fenced funding reflects monies received for local and national priorities which have yet to be delivered. £37.322m of this funding includes funding received for primary care plans, alcohol and drug partnership funding, and expenditure linked to responding to the pandemic. This ring-fenced funding has been transferred to reserves and earmarked for use in future years. The IJB anticipates that 74% of all earmarked reserves will be drawn down in 2021/22 and 22% drawn down in 2022/23. The remaining 4% relates to projects which span more than one financial year with no definitive end date.

34. An additional £20 million of income was transferred from NHS Greater Glasgow and Clyde following receipt of the unaudited accounts. This funding will be held on behalf of IJB's partner body NHS Greater Glasgow and Clyde in relation to waiting time activity and will be drawn down over the next three years. This income transfer has been adjusted within the revised accounts.

35. The main areas of underspend within the operational underspend of £17.9 million arose from:

- vacancies and staff turnover (£9.2 million)

- reduced service provision because of COVID-19 (£4.5 million)
- reduction in care home admission and delayed discharges (£1.9 million).

Uncommitted general reserves are in line with the IJB's reserve strategy

36. 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 general reserves equating to 2% of net expenditure.

37. At the beginning of the financial year, the IJB held uncommitted general reserves of £13.998 million. As a result of the operational underspend of £17.9 million in the 2020/21 financial year, the IJB transferred a further £13.503 million to the general reserve, increasing contingency reserves held to 2% of net expenditure in line with the organisation's stated policy. This will assist the IJB in dealing with the continuing challenges including future COVID-19 costs, potential financial implications of Brexit, inflationary pressures, and the ability to deliver on existing and further transformational savings whilst responding to the COVID-19 pandemic. The uncommitted general reserves balance held at the end of the financial year totalled £27.819 million.

The medium-term financial plan has been updated to reflect the expected impact of COVID-19

38. 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. The IJB approved an updated three-year medium-term financial outlook in March 2021. This covers the period 2021-2024 and supports the development of the current strategic plan. The financial outlook 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 changes in legislation
- cost pressures arising as a result of the on-going response to the COVID-19 pandemic and the future consequences on service demand due to the pandemics impact on health, poverty, and deprivation.

39. The outlook is updated annually to recognise changes in these scenarios and factors and identifies a potential funding gap of £5.9 million in 2021/22, rising to £58 million by 2023/24. The IJB has a detailed plan demonstrating how it intends to address the 2021/22 funding gap of £5.9 million through efficiency savings alongside service reform and prioritisation. However, with increasing demand pressures, officers consider that the longer-term gap cannot be bridged through efficiency savings and transformation alone and will continue to engage with partner bodies around future funding levels.

Future funding gaps are unlikely to be addressed through efficiency and transformation savings alone

40. The IJB has demonstrated a reasonable track record in the delivery of its agreed savings targets, although levels of demand whilst responding to the COVID-19 pandemic have made this difficult. Delivery of planned savings of £13.770 million in 2020/21 was impacted by the need to refocus resources in responding to the COVID-19 pandemic, with 79% of savings achieved.

41. Ageing populations and increasing numbers of people with long-term conditions and complex needs continue to place significant pressure on health and social care budgets, making the identification and delivery of increased efficiencies more challenging.

42. Savings targets have been set for 2021/22 and beyond. Whilst the 2021/22 savings requirement is expected to be met with efficiency savings and service reforms, this alone won't be able to bridge the funding gaps identified for 2022/23 and 2023/24. The medium-term financial outlook recognises this position and notes that service cuts may be required to fully meet the funding gap and deliver a balanced budget as per the IJB's strategy.

43. The funding gap identified within the medium-term financial outlook of £58 million represents a challenging target. This is currently beyond a level which Chief Officers could support in light of the demographic and demand pressures, and their ability to continue to deliver services which are safe. As such, there is a risk that the IJB is unable to achieve a sustainable financial position going forward, due to the scale of savings required over the longer term. The IJB should continue to engage with partner bodies in relation to future funding levels, to ensure the IJB remains financially sustainable.

Financial systems of internal control operated effectively

44. 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.

45. 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 either the health board or the council.

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

46. 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 partner 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.

47. We reviewed the arrangements in place at NHS Greater Glasgow & Clyde and Glasgow City Council 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.

3. Governance, transparency, and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information. Using resources effectively and continually improving services.

Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the COVID-19 pandemic have been appropriate and operated effectively.

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

The IJB has kept performance indicators and associated targets under review to ensure they reflect the impact of COVID-19 on methods of service delivery and the associated outcomes. The IJB should continue to regularly review these targets, to ensure key indicators remain appropriate.

Governance arrangements operating throughout the COVID-19 pandemic have been appropriate and operated effectively

48. The IJB made a number of key changes during the financial year to its governance arrangements in response to the pandemic. These are set out in the Annual Governance Statement in the annual accounts and included delegated authorities 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 (FASC), for key operational decision making. These arrangements were kept under review and following the resumption of board and committee meeting in a virtual environment, the temporary decision-making arrangements were discontinued in September 2020.

49. In January 2021, as a result of a resurgence of the COVID-19 virus, the IJB's agendas were reduced to business critical or time sensitive items that fell within a number of key business areas. This was in order to reduce the time commitment of officers required to prepare reports and attend Board meetings, to enable them to focus more on the operational response to the pandemic.

50. We concluded that the revised arrangements were appropriate and adequate under the current circumstances, and they support standards of governance and accountability. Meetings continue to be held in a virtual environment, in line with Scottish Government guidance for safer workplaces during the pandemic.

Arrangements are in place to secure Best Value

51. Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

52. The IJB has put in place appropriate arrangements to demonstrate the achievement of best value in their decision-making. To ensure the consequences of each decision are made clear, the IJB include the following information in reports:

- 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.

53. Equality impact assessments are undertaken on savings proposals to ensure that plans have minimal impact on the quality of care or service provided. The results of these assessments are available to members of the Board.

Performance management arrangements are effective with indicators and targets kept under review

54. 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.

55. The IJB receives a strategic overview of performance on a quarterly basis. More detailed performance reports are scrutinised at the FASC. These reports detail a range of performance information for each service area and use a traffic light system to highlight achievement targets.

56. This detailed performance information is used to inform the annual performance report. The 2020/21 annual performance report was presented to the board at its meeting on the 23 June 2021. The content of the 2020/21 annual performance report was in line with applicable requirements and supporting guidance.

57. The IJB has appropriate performance management arrangements in place, which are used to target effective service delivery and support improvement activity. The IJB reviews the performance indicators annually and has monitored the impact of COVID-19 on service performance. This has been reflected through the re-based targets, an example of this is the decrease in the targeted number of people in supported living services (Older People's Services) for 2020/21. The appropriateness of key indicators is also subject to regular review, with the most recent re-assessment in December 2020.

58. Performance levels are measured against a suite of key performance indicators, comparing current year, prior year (2019/20) and base line (2015/16) performance. The 2020/21 annual performance report highlights a number of areas where the IJB's performance has shown the greatest improvement in 2020/21, including psychological therapies (percentage of people who started treatment within 18 weeks of referral), access to specialist child and adolescent mental health services (percentage of people seen within 18 weeks) and percentage of young people currently receiving an aftercare service who are known to be in employment, education or training.

59. The 2020/21 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:

- Alcohol brief intervention delivery
- Number of anticipatory care plan conversations and summaries completed and shared with patient's GP
- Total number of acute delays and bed days lost to delays (all delays and all reasons 18+).

Review of adult social care services

60. An independent review of adult social care services was published in February 2021. This was requested by the Scottish Government in September 2020 with the primary aim of the review being to recommend improvements to adult social care services in Scotland. The review made a number of recommendations including the set-up of a National Care Service for Scotland that is equal to the NHS and that self-directed support must work better for people with decisions being based on their needs, rights and preferences.

61. The IJB is still formulating its response to the review and subsequent consultation exercise in August 2021. Following initial publication, the IJB held a development session with the Board members to discuss the outcomes. A further board development session is planned to take this forward and ensure a focused and representative response to the consultation exercise which was published in August 2021.

National performance audit reports

62. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 2](#).

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

Appendix 1

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.

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
1. Management override of controls International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.	Detailed testing of journal entries. Assessment of the estimation methodology applied by the IJB and the reasonableness of the estimates contained in the financial statements. Focused testing (via partner bodies) of the regularity and cut-off assertions. Evaluation of the assurances from the IJB's partner bodies' external auditors, who carry out testing of accruals and prepayments.	Significant journals processed by the IJB were reviewed, with no issues identified. No significant accounting estimates were made by the IJB in the preparation of the annual accounts. Testing of regularity and cut-off assertions as well as 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. No evidence of management override of controls from work performed.
2. Impact of additional funding due to COVID-19 on the financial statements The COVID-19 pandemic has resulted in significant financial pressures for the IJB. The Scottish and UK Governments have announced a range of	Assessed how the IJB processed and controlled the additional funding and associated expenditure. Assessed how the additional funding and associated expenditure impacted the annual accounts.	The IJB regularly monitored and reported COVID-19 funding and associated expenditure to the IJB board throughout the year. The IJB complied with CIPFA/LASAAC guidance on accounting for COVID-19 grants when accounting for

Audit risk	Assurance procedure	Results and conclusions
<p>additional funding streams to support frontline services and help the organisation manage the financial pressures caused by COVID-19.</p> <p>This has also resulted in an associated increase in expenditure with some new expenditure streams. Total additional funding for the IJB was expected to be in the region of £46.7 million. This additional income and expenditure includes a mixture of principal and agency transactions which are subject to different accounting considerations in the preparation of the financial statements.</p> <p>There is a risk that the reserve balances carried forward incorrectly include funding where the IJB is acting as the agent.</p>	<p>Reviewed the annual accounts and considered how the additional funding and associated expenditure had been reporting.</p>	<p>the additional COVID-19 funding and associated expenditure.</p> <p>The IJB have recognised only the funding and associated expenditure in the account where they would be considered to be acting as the principal.</p> <p>No evidence that the reserve balances carried forward in 21/22 incorrectly include funding where the IJB would be acting as the agent.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>3. Financial sustainability – medium term</p> <p>The financial plan for 2021/22 outlines cost pressures of £21.6 million. Taking account of proposed partner funding levels, this results in a projected funding gap of £5.9 million for the year to be met from savings options.</p> <p>However, the medium-term financial outlook for 2021-2024 forecasts a significant increase in this funding gap over the following 2 years,</p>	<p>Reviewed the IJB's reported outturn financial position as part of the financial statements audit.</p> <p>Assessed the delivery of in-year savings programs.</p> <p>Reviewed the robustness of future savings plans identified.</p>	<p>The IJB's final operational position as at the 31 March 2021 was a net underspend of £17.9 million.</p> <p>The IJB achieved 79% of the total savings target of £13.7 million for 2020/21.</p> <p>Although the figures above paint a strong picture in the short term, this can be largely attributed to the impact COVID-19 had on the IJB's operational services such as recruitment, lower service demand during the pandemic</p>

Audit risk	Assurance procedure	Results and conclusions
<p>with a further £52 million of savings required to balance the budget.</p> <p>There is a risk that the scale of savings required means the IJB will be unable to achieve a sustainable outturn position going forward, particularly given the uncertainty around COVID-19 and increasing service demands.</p>		<p>and services being closed/running at lower capacity – all of which contributed to the underspend recognised by the IJB.</p> <p>There are a number of ongoing budget pressures over the coming years which are out with the IJB's control including the cost of drugs, Brexit and the required response to COVID-19.</p> <p>The IJB need a further £52 million of savings between 2022-2024 in order to deliver a balanced budget, as funding does not match the increasing demands on services and costs.</p>

Appendix 2

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Glasgow City Integration Joint Board

2020/21 Annual Audit Report – DRAFT

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