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Glasgow City Integration Joint Board

30 November 2022

Glasgow City Integration Joint Board Audit of 2021/22 annual accounts

Independent auditor's report

1. Our audit work on the 2021/22 annual accounts is now substantially complete. Subject to the receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 30 November 2022 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 Glasgow City Integration Joint Board's consideration our draft annual report on the 2021/22 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.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Board we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. 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.

9. 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 2022 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 annual accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of Glasgow City Integration Joint Board as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 26 September 2022. This is my first year of appointment. 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.

These conclusions are not intended to, nor do they, provide assurance on Glasgow City Integration Joint Board's current or future financial sustainability. However, I report on Glasgow City Integration Joint Board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report 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 Board 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 there is an intention to discontinue the body's operations.

The Board 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 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 the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- 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 the body'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 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.

Other information

The Chief Officer (Finance and Resources) is responsible for other information in the annual accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 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 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 the 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 Boyd (CPFA)
Audit Director

Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Appendix B: Letter of Representation (ISA 580)

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

Dear John

Glasgow City Integration Joint Board Annual Accounts 2021/22

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 2022 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 2022.

General

3. Glasgow City Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 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 2021/22 (2021/22 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 2022 and the transactions for 2021/22.

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 2021/22 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 2021/22 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 Glasgow City Integration Joint Board has undertaken a review of the system of internal control during 2021/22 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 2022, which require to be reflected.

Balance Sheet

17. All events subsequent to 31 March 2022 for which the 2021/22 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

2021/22 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

Prepared for Glasgow City Integration Joint Board and the Controller of Audit
November 2022

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Key messages

2021/22 annual accounts

- 1 Our audit opinions on the annual accounts of the Glasgow City Integration Joint Board (the IJB) are unmodified.
- 2 The COVID-19 pandemic had a limited impact on accounts production and audit evidence. However, there were delays in auditing the annual accounts due to audit resourcing priorities.

Financial management and sustainability

- 3 The IJB has appropriate and effective financial management arrangements in place.
- 4 The IJB returned a surplus of £58.500 million for the year. Taking account of specific funding earmarked for future use, and utilisation of existing reserves, this resulted in an operational underspend of £18.196 million.
- 5 The operational underspend has been earmarked for specific future expenditure leaving uncommitted general reserves at 1.95% of net expenditure.
- 6 The medium-term financial outlook has been updated to reflect the impact of COVID-19, with an identified funding shortfall of £60.2 million over the period from 2022-2025. Future efficiency and transformation savings alone are unlikely to address this gap. The IJB should continue to work with partners to negotiate satisfactory funding settlements and ensure future financial stability.

Governance, Transparency and Best Value

- 7 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.
- 8 The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value, supported by performance management activity which is effectively focussed on national health and wellbeing outcomes.
- 9 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.

Introduction

1. This report summarises the findings from our 2021/22 audit of Glasgow City Integration Joint Board (the IJB).
2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the 13 April 2022 meeting of the Finance, Audit and Scrutiny Committee (FASC).
3. This report comprises the findings from:
 - the audit of the IJB's 2021/22 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](#)
 - a review of the arrangements put in place by the IJB to secure Best Value.
4. The global coronavirus pandemic has had a considerable impact on the IJB during 2021/22. This has had significant implications for services, sickness absence levels, and planned projects and activities. However, no specific pandemic related risks to preparation of the financial statements, or to our audit, were included in our 2021/22 Annual Audit Plan.

Adding value through the audit

5. We add value to the IJB through the 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.

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.

7. The IJB is also responsible for compliance with legislation, and for putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

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

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

- the effectiveness of the IJB's performance management arrangements
- the suitability and effectiveness of corporate governance arrangements
- the financial position and arrangements for securing financial sustainability, and
- Best Value arrangements.

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

11. 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

12. 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.

13. 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, therefore the 2021/22 audit fee of £27,960 as set out in our 2021/22 Annual Audit Plan remains unchanged. John Boyd was appointed as engagement lead part way through the year. Following his appointment, a retrospective review of the audit planning and audit approach was undertaken. As the audit progressed, key areas of audit focus, areas of risk of material misstatement and audit work undertaken to obtain the relevant assurances were reviewed by the engagement lead. We are not aware of any relationships that could compromise our objectivity and independence.

14. 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 the management and staff who have been involved in our work for their co-operation and assistance during the audit.

Audit appointment from 2022/23

15. The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Ernst & Young LLP will be the appointed auditor for Glasgow City Integration Joint Board. We are working closely with the new auditors to ensure a well-managed transition.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

18. We would like to thank Board members, FASC members, senior management and other staff, particularly those in finance, for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual accounts

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

Main judgements

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

The COVID-19 pandemic had a limited impact on accounts production and audit evidence. However, there were delays in auditing the annual accounts due to audit resourcing priorities.

Our audit opinions on the annual accounts are unmodified

19. The IJB's annual accounts for the year ended 31 March 2022 were approved by the IJB on 30 November 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework; and,
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The COVID-19 pandemic had a limited impact on audit evidence

20. 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 outbreak.

21. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

There were delays in auditing the annual accounts due to audit resourcing priorities

22. Submission dates for the annual audit report and audited annual accounts for 2019/20 and 2020/21 were deferred in line with the later dates for producing the annual accounts because of the impact of COVID-19. Audit Scotland set target dates for 2021/22 which transitioned to more regular timescales. For 2021/22, the deadline for the audited accounts was 31 October 2022. Subsequent to the issue of planning guidance, the Scottish Government amended accounts regulations to require bodies to aim to approve audited accounts no later than 30 November 2022.

23. The unaudited annual accounts were received in line with our agreed audit timetable on 17 June 2022. As highlighted in our Annual Audit Plan, due to pressures associated with the COVID-19 pandemic, we considered it unlikely that we would meet the audit planning guidance deadline of 31 October 2022 for certification of the audited annual accounts. However, we were able to complete our audit work in time for our proposed Independent Auditor's Report and Annual Audit Report for 2021/22 to be presented to the 30 November Board, allowing the Board to approve the audited accounts in line with the amended regulations.

There were no objections raised to the annual accounts

24. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The IJB complied with the regulations. There were no objections to the 2021/22 annual accounts.

Overall materiality is £24.435 million

25. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. 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.

26. 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 annual accounts. 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.

27. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#). No change to the planned levels was required based on the unaudited figures.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£24.435 million
Performance materiality	£18.326 million
Reporting threshold	£250 thousand

Source: Audit Scotland Annual Audit Plan 2021/22

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

28. 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. We have no issues to report from the audit.

29. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Gained written assurance from partner bodies' auditors over journal entries, and testing of the completeness, accuracy and allocation of income and expenditure.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare</p>	<p>Necessary written assurances were obtained from partner bodies' auditors from their testing of journal entries and income and expenditure transactions through the year.</p> <p>Year-end journals processed were reviewed and reconciled to assurance letters received.</p> <p>No significant transactions outside the normal course of business were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
	accounting estimates compared to the prior year.	No changes were identified in the methods and underlying assumptions used to prepare accounting estimates.

There were two identified amendments to the audited annual accounts.

30. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected.

31. Within the 2021/22 accounts presented for audit, the prior year set aside figure within the Comprehensive Income and Expenditure Statement had been restated, to take account of an error identified after the 2020/21 accounts had been certified. This reduced the overall set aside figure for the prior year by £0.535 million. In addition, the 2020/21 figure disclosed within note 11 for hosted services consumed by Glasgow City IJB was restated, increasing by £1.101 million.

32. International Accounting Standard (IAS)8 requires bodies to correct material errors retrospectively in the first set of financial statements authorised for issue after their discovery. However, from our review of these restatements, we concluded that the movements in prior year values were not material and therefore restatement was not required. The IJB removed the restatement of prior year figures from the final 2021/22 accounts, and reflected the adjustments through the in-year movements.

33. A small number of minor narrative and presentational matters were identified as part of the normal audit process, and these were amended by officers in the audited accounts. There were no other adjustments reflected in the audited annual accounts.

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 £58.500 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 £18.196 million.

The operational underspend has been earmarked for specific future expenditure leaving uncommitted general reserves at 1.95% of net expenditure, slightly below the IJB's reserves policy target of 2%.

The medium-term financial outlook has been updated to reflect the impact of COVID-19, with an identified funding shortfall of £60.2 million over the period from 2022-2025. Future efficiency and transformation savings alone are unlikely to address this gap. The IJB should continue to work with partners to negotiate satisfactory funding settlements and ensure future financial stability.

We have obtained audit assurances over the wider audit dimension risk relating to Financial Management and Sustainability identified in our 2021/22 Annual Audit Plan

34. [Exhibit 3](#) sets out the audit dimension risks relating to Financial Management and Sustainability we identified in our 2021/22 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3**Risks identified from the auditor's wider responsibility under the Code of Audit Practice**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial Sustainability</p> <p>The 2022/23 budget outlines cost pressures of £90.977 million in 2022/23. After partner funding allocations, this results in a funding gap of £6.1 million to be met from savings options.</p> <p>The Medium-Term Outlook for the period reports a significant increase in this funding gap, rising to £60 million by 2024/25.</p> <p>The IJB will therefore require to deliver significant transformation to ensure a balanced budget. There is a risk that the scale of savings required means the IJB will be unable to achieve a sustainable outturn position going forward.</p>	<p>Reviewed and assessed the Integration Joint Board's reported outturn financial position, savings plans and financial outlook papers.</p> <p>Reviewed and assessed the reasonableness of assumptions and judgements in financial reports and papers.</p>	<p>The IJB's final operational position for 2021/22 was a net underspend of £18.2 million.</p> <p>The IJB achieved 98% of the total savings target of £5.879 million for 2021/22.</p> <p>COVID-19 continued to impact significantly on the IJB's operational activity, with lower recruitment, lower service demand and service closures all contributing to the outturn underspend.</p> <p>There are ongoing budget pressures over the medium term which are outwith the IJB's control including drug costs, developing consequences of Brexit and ongoing response to COVID-19.</p> <p>Additional savings of £60 million are required to be found for the two years 2023-2025 in order to deliver a balanced budget.</p>

The 2021/22 budget included planned savings to address the funding gap for the year

35. The IJB conditionally approved its 2021/22 budget of £1.418 billion in March 2021. The budget identified a funding gap of £5.897 million and savings proposals to address that gap. Savings proposed included service reviews and efficiencies across several services, turnover savings and savings on the Maximising Independence Programme. The conditional approval of the budget was subject to approval of health board funding by NHS Greater Glasgow and Clyde.

36. Budget increases during the year amounted to £138.132 million, of which £73.129 million was COVID-19 funding and £13.615 million was for winter pressures, although £65.5 million of the COVID funding has been carried forward to be utilised in 2022/23.

The IJB returned an underspend in 2021/22

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

38. 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.

39. The COVID-19 pandemic had a significant impact on the IJB's 2021/22 budget. The IJB's 2021/22 accounts include £33.8 million of additional costs incurred because of the COVID-19 pandemic. The main uses of COVID funding were in relation to Homelessness and Criminal Justice (£10.5 million), additional staffing to support services (£9.1 million) and provider sustainability payments (£8.8 million). 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 2022/23. Set aside costs also included £17.5 million of COVID-19 costs, also fully funded by Scottish Government.

40. The IJB's accounts disclose a surplus of £58.500 million in the financial year ([Exhibit 5](#)). This surplus comprised of £94.2 million of funding received but ring-fenced for future use, a drawdown from reserves of £53.9 million and an operational underspend for the year of £18.2 million.

Exhibit 5

Performance against budget

IJB budget summary	NHS Greater Glasgow & Clyde £m	Glasgow City Council £m	Total £m	Total £m
Net funding contribution	1,122.429	454.693	(1,577.122)	
Total expenditure			1,518.622	
2021/22 surplus on the provision of services				(58.500)
Represented by:				
Funding received transferred to earmarked reserves				94.197

Earmarked reserves drawn down in year	(53.893)
2021/22 operational underspend	(18.196)

Source: Glasgow City Integration Joint Board

41. The £94.197 million funding transferred to ear marked reserves represents funding received for local and national priorities yet to be delivered as at 31 March 2022. This includes £65.602 million of COVID funding to be utilised in 2022/23, £9.845 million for mental health initiatives and £5.374 million for winter planning. The IJB anticipates that 89% (£131.1 million) of all earmarked reserves will be drawn down in 2022/23 and 7% (£9.5 million) drawn down in 2023/24. The remaining 4% relates to projects which will span more than one financial year with no definitive end date.

42. The main areas of underspend within the operational underspend of £18.2 million arose from:

- vacancies and staff turnover (£8.5 million)
- reduced service provision due to COVID-19 (£12.7 million)
- increased income recoveries (£4.5 million)
- offset by cost pressures in service delivery (£9.3 million).

The budget monitoring process was appropriate

43. Detailed budget monitoring reports were submitted to the IJB Board throughout the year. These reports analysed, in detail, adjustments made to the original approved budget as a result of additional funding allocations and service developments and provided detailed explanations for significant budget variances.

44. Progress on achievement of savings targets was also included as a standard item. The outturn to date and, from December 2021, the projected year-end outturn position were clearly stated in these reports, and the eventual year-end outturn position was close to expectations.

45. The budget monitoring reports contained updates on the financial impact of COVID-19, and highlighted additional income received and expenditure incurred because of COVID-19. This ensured the IJB were aware of how COVID-19 impacted on the overall financial position and outturn.

46. We observed that senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements.

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

47. 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 equivalent to 2% of net expenditure.

48. At the beginning of the financial year, the IJB held uncommitted general reserves of £27.819 million. At its June 2022 meeting, the IJB approved the carry forward into 2022/23 of specific funding, secured for 2021/22, amounting to £94.2 million for the delivery of local and national priorities, including £65.6 million of COVID funding. The 2021/22 underspend £18.2 million was also earmarked for specific future expenditure. The net result was that £0.762 million remained available to be added to the uncommitted contingency amount so that the uncommitted general reserves balance held at the end of the financial year was £28.581 million. This represents 1.95% of net expenditure.

49. The IJB acknowledges this is below the 2% target but considers that, when its cumulative earmarked reserve balance of £146.8 million is taken into account, its overall reserves are appropriate to the level of risk faced by the organisation. We note also that the IJB has forecast that the COVID funding being carried forward will not be fully utilised.

50. The medium-term financial outlook is forecasting a funding gap of £60.2 million over the next three years which, beyond 2022/23, will require the IJB to continue its engagement with Partner Bodies in relation to future funding levels.

51. Despite the significant medium term funding challenge identified and based on the IJB's good record to date in negotiating satisfactory funding settlements with its partner bodies, in our judgement the deviation from strict application of the reserves policy is not a significant risk.

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

52. 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 2022. This covers the period 2022-2025 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, and increased demand for services due to demographics, deprivation and health issues
- cost pressures arising from new national and local policy commitments and in relation to pandemic response.

53. The outlook is updated annually to recognise changes in these scenarios and factors and identifies a potential funding gap of £6.1 million for 2022/23, rising to £60.2 million by 2024/25.

54. The outlook confirms there will be financial implications in responding to the pandemic in 2022/23 and beyond and assumes that funding will be made available to cover costs in 2022/23, however, it assumes that no further funding will be made available. It anticipates COVID related cost pressures will continue in relation to increased service demand, additional staffing and infection control and reflects these in the projections for 2023/24 at around £9 million. Forecasts will be further refined in the next financial outlook.

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

55. 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 that difficult. Planned savings for 2021/22 were £5.879 million, 98% of which were achieved. Unachieved savings target from prior years was £2.969 million, of which only £0.314 million was achieved. Delivery of savings was impacted by the need to focus resources in responding to COVID-19.

56. The IJB has a savings plan detailing how it will address the 2022/23 funding gap of £6.1 million through efficiency savings and service reviews. However, the Chief Officer's reported view is that the gap beyond that represents a challenging target, beyond a level which they could support in light of demographic and demand pressures and the IJB's ability to continue to deliver services which are safe. As a result, over the medium term the IJB will continue to engage with partner bodies in relation to future funding and service delivery levels.

Financial systems of internal control operated effectively

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

58. As part of our audit approach, we sought assurances from the external auditors of NHS Greater Glasgow and Clyde and Glasgow City Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control for either the health board or the council.

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

59. 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.

60. We reviewed the arrangements in place at NHS Greater Glasgow and Clyde and Glasgow City Council through consideration of the work by partner body auditors and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest are publicly available on the IJB's website.

61. 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

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, supported by performance management activity which is effectively focussed on national health and wellbeing outcomes.

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.

Governance arrangements are appropriate and operate effectively

62. The Board and its Finance, Audit and Scrutiny Committee and Public Engagement Committee have continued to meet remotely in 2021/22. From our review of minutes and attendance at meetings, no issues have been noted and members have continued to carry out effective scrutiny of issues.

63. We concluded that governance arrangements during the pandemic were appropriate and adequate under the 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

64. We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

Arrangements are in place to secure Best Value

65. 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.

66. 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

67. 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.

68. The Board receives quarterly corporate performance reports, and a statutory Annual Performance Report is produced, in which HSCP performance activity is mapped against the 9 national health and wellbeing outcomes, so that performance management activity across the Partnership is effectively focussed on outcomes.

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

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

70. Challenges faced by the IJB due to the pandemic have included;

- Limited ability to see service users/patients face to face
- Lack of IT equipment to facilitate home working
- Digital exclusion impacting on efforts to maintain contact with service users
- Staff absences for COVID-19 related reasons
- Rapidly emerging and changing guidance and public health measures
- The requirement to introduce new services while maintaining existing services e.g. testing, vaccination programme.

71. 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.

72. 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.

73. This detailed performance information is used to inform the annual performance report. The 2021/22 annual performance report was presented to the board at its meeting on 29 June 2022. The content of the 2021/22 annual performance report was in line with applicable requirements and supporting guidance

74. 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 in a number of service responses such as appropriate changes to Breastfeeding Support and development of Online Gender Friendly Nursery Training. The appropriateness of key indicators is also subject to regular review, with the most recent re-assessment in December 2020.

75. The Board has continued to monitor key performance targets throughout the year. Performance levels are measured against a suite of key performance indicators, comparing current year, prior year (2020/21) and base line (2015/16) performance. The 2021/22 annual performance report highlights areas where the IJB's performance has shown the greatest improvement in 2021/22, including Alcohol Brief Intervention Delivery and Number of Unscheduled Hospital Bed Days – Mental Health 18+.

76. The 2021/22 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:

- Access to specialist Child and Adolescent Mental Health Services (CAMHS);
- Number of Unscheduled Hospital Bed Days - Acute (18+); and,
- Number of households reassessed as homeless/ potentially homeless within 12 months.

77. In our judgement the IJB has effective arrangements in place for managing performance and keeping performance indicators under review.

Review of adult social care services

78. 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.

79. Following initial publication, the IJB held a development session with Board members to discuss the outcomes. In August 2021, the Scottish Government commenced a national consultation on proposals arising from the independent review. Two full IJB Development sessions were held in September and October of 2021, and a programme of consultation put in place to enable Members to provide their own feedback to the consultation, which was used to develop the submission sent to the Scottish Government in November 2021 for consideration. The IJB continued to monitor developments and engage in discussions around the implementation of the review with partners and stakeholders.

80. In June 2022, the National Care Service (Scotland) Bill was published along with a Call for Views to invite feedback on the Bill. Glasgow City IJB Members were invited to provide views and a further Development Session was held in August 2022. The resulting response was submitted to the Scottish Parliament's Health and Sport Committee 2 September 2022.

81. We note that the IJB confirms it will continue working constructively to influence any change in future health and social care delivery, and work to ensure any form of national care service reflects and addresses the concerns of the Board and has the greatest possible chance of success.

National performance audit reports

82. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 1](#).

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

Appendix 1. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[COVID 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[COVID 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the COVID 19 pandemic](#)

Glasgow City Integration Joint Board

Draft 2021/22 Annual Audit Report

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