

# Glasgow City Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

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

18 September 2019

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

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## 2018/19 annual report and accounts

- 1 Glasgow City Integration Joint Board's financial statements give a true and fair view and were properly prepared.
- 2 The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

## Financial management and sustainability

- 3 Glasgow City Integration Joint Board (the IJB) has appropriate and effective financial planning arrangements in place.
- 4 The IJB has demonstrated awareness of the challenges ahead and has put in place effective arrangements to ensure the financial sustainability of the organisation over the medium-term.
- 5 Budgetary processes provide timely and reliable information for monitoring financial performance. Combined with the delivery of savings, this has allowed the IJB to build upon its current reserves balance in line with its approved reserves policy.

## Governance, transparency and value for money

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. It conducts its business in an open and transparent manner.
- 7 The IJB is putting in place arrangements to demonstrate the achievement of Best Value.

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# Introduction

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1. This report is a summary of our findings arising from the 2018/19 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 6 March 2019. This report comprises the findings from our main elements of work in 2018/19 including:
  - an audit of the IJB's 2018/19 annual accounts including issuing an independent auditor's report setting out my opinion
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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## Adding value through the audit

3. We add value to the IJB, through audit, by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
  - reporting our findings and conclusions in public
  - 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.

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

## Responsibilities and reporting

5. 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 responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

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

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

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

8. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. 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.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £25,000, 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 board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

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

# Part 1

## Audit of 2018/19 annual accounts



### Main judgements

**Glasgow City Integration Joint Board's financial statements give a true and fair view and were properly prepared.**

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

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

### Audit opinions on the annual accounts

- 14.** The annual accounts for the year ended 31 March 2019 were approved by the board on 18 September 2019. We reported within the independent auditor's report that:
- the financial statements give a true and fair view and were properly prepared
  - the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and prepared in accordance with applicable guidance.
- 15.** Additionally, we have nothing to report in respect of the following matters we are required to report on: misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

### Submission of annual accounts for audit

- 16.** We received the unaudited annual accounts on 26 June 2019 in line with our agreed audit timetable. Financial information was provided from partner bodies to the IJB in a timely manner, allowing the unaudited IJB accounts to be prepared and submitted for audit.
- 17.** The IJB submitted financial information to NHS Greater Glasgow and Clyde within the agreed timeframe, allowing the health board to meet its statutory deadline of 30 June 2019 for its annual report and accounts. The IJB also submitted financial information to Glasgow City Council prior to the end of June 2019, to inform the preparation of the council's group accounts submitted for audit.
- 18.** As part of our audit process, we request assurances from the auditors of Glasgow City Council and NHS Greater Glasgow and Clyde around IJB related transactions processed through their financial ledgers. We received satisfactory assurances during August 2019, allowing us to complete our financial audit procedures.

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

### Risks of material misstatement

20. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.
21. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

### Materiality

22. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.
23. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.
24. On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate.

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## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£17.160 million
Performance materiality	£11.160 million
Reporting threshold	£180 thousand

Source: Audit Scotland, 2018/19 Annual Audit Plan

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### Significant findings from the audit in accordance with ISA 260


25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.
26. We have no significant findings to report arising from our financial statements audit.



## Other findings from the audit

27. We have two other findings to report around the qualitative aspects of the 2018/19 accounting practices, and these are highlighted in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

### Exhibit 3 Findings from the audit of the financial statements

Issue	Resolution
<p><b>Earmarked reserves</b></p> <p>The Accounting Code of Practice requires bodies covered by the Code to include disclosures in the accounts, detailing movements in statutory earmarked reserves.</p> <p>The IJB does not hold statutory earmarked reserves and is therefore not required to provide additional disclosures, however it has earmarked £32.6 million of the general fund balance of £46.9 million to be used for specific purposes. Additional disclosure on the earmarked element of the general fund would enhance the reader's understanding of the IJB's financial position and commitments going forward.</p>	<p>The management commentary in the audited accounts has been amended to include summary narrative on key areas of earmarked reserves, in addition to the existing signposting to the IJB outturn report.</p> <p><b>We reviewed the updated disclosures and are satisfied that they support the financial position reported in the annual accounts.</b></p>
<p><b>Good practice in financial reporting</b></p> <p>Audit Scotland issued good practice guidance, <a href="#">Improving the quality of local authority accounts – integration joint boards</a> in April 2018. We used this last year to assess the 2017/18 IJB accounts, concluding they reflected elements of good practice.</p> <p>The 2018/19 annual accounts are comprehensive and continue to demonstrate elements of good practice. However, moving forward there is scope to review and refresh the form and content to ensure they:</p> <ul style="list-style-type: none"> <li>• remain focused on the issues relevant to the IJB while still meeting reporting requirements</li> <li>• take account of other good practice emerging nationally.</li> </ul>	<p>Going forward, officers should engage with Audit Scotland around the form and content of the annual accounts for 2019/20, and consider any good practice examples arising from across the sector.</p> <p> <b>Recommendation 1</b> (refer <a href="#">Appendix 1</a>, action plan)</p>

## Evaluation of misstatements

28. There were no material adjustments to the unaudited annual accounts arising from our audit. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements.

## Follow up of prior year recommendations

29. The IJB has made good progress in implementing our prior year audit recommendations which have all been actioned, as set out in [Appendix 1](#).

## Objections

30. The Local Authority Accounts (Scotland) Regulations 2014 require integration joint boards to publish a public notice on its 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 accounts.

# Part 2

## Financial management and sustainability



### Main judgements

**Glasgow City Integration Joint Board (the IJB) has appropriate and effective financial planning arrangements in place.**



**The IJB has demonstrated awareness of the challenges ahead and has put in place effective arrangements to ensure the financial sustainability of the organisation over the medium-term.**

**Budgetary processes provide timely and reliable information for monitoring financial performance. Combined with the delivery of savings, this has allowed the IJB to build upon its current reserves balance in line with its approved reserves policy.**

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

### Financial management

- 31.** As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:
- the Chief Officer (Finance and Resources) has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - IJB members provide a good level of challenge and question budget holders on significant variances.

### Financial regulations

- 32.** We reviewed the financial regulations and standing orders that are in place within the IJB and consider these to be comprehensive and fit for purpose.

### Financial reporting arrangements

- 33.** The board receives financial monitoring reports each period, outlining expenditure against budget in the delivery of the health and social care services as described within the IJB's strategic plan. Budget changes made during the period and explanations for key variances against budget are detailed in the monitoring reports.

34. Budget monitoring reports are also reviewed at each meeting of the IJB's Finance, Audit and Scrutiny Committee. Each period, the reports detail the amount of reserves to be drawn down to fund expenditure along with the amount available to be transferred into reserves at year end.
35. We concluded that the IJB has appropriate financial management arrangements in place and members provide a good level of challenge on the financial reports provided to committee.

## Systems of internal control

36. 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 these systems are within the partner bodies, rather than the IJB.
37. As part of our audit approach we sought assurances from the external auditor of NHS Greater Glasgow and Clyde and Glasgow City Council (in accordance with ISA 402) and confirmed there were no identified weaknesses in either the systems of internal controls for the health board or the council.

## Internal audit

38. We reviewed the IJB's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit. Internal audit services are provided by Glasgow City Council.
39. To avoid duplication of effort we use the work of internal audit wherever possible. In 2018/19, we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, as part of our wider dimension work, we considered the findings of internal audit's reviews of the following:
  - business continuity planning
  - participation engagement
  - property strategy.
40. Internal audit found that a reasonable level of assurance can be placed on the control environment around these areas and a number of improvement actions were agreed with management. We are satisfied that the IJB has sufficient controls in place around these areas.

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

41. The IJB does not have its own anti-fraud strategy but relies on the arrangements in place at partner bodies. It is updated of 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. It also has a separate Code of Conduct for all members of the IJB.
42. We reviewed the arrangements in place at the IJB, along with the policies and arrangements in place at partner bodies through consideration of the work by partner body auditors. We concluded the IJB has effective arrangements in place for the prevention and detection of fraud and corruption.

## Financial performance in 2018/19

43. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and the Chief Officer (Finance and Resources). All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.
44. The IJB's financial statements show an underspend of £15.503 million against its funding allocation for 2018/19, as detailed in [Exhibit 4](#). This has been transferred into reserves for use in funding projects in 2019/20 and future years and to increase the uncommitted reserves balance, in line with the IJB's reserves policy.

### Exhibit 4 Performance against budget

IJB budget summary	NHS Greater Glasgow and Clyde £m	Glasgow City Council £m	Total £m
Funds Allocated	804.952	402.367	1,207.319
Total Expenditure			1,191.816
<b>Variance</b>			<b>15.503</b>

Source: 2018/19 Glasgow City Integration Joint Board Annual Accounts

45. The IJB utilised £1.925 million of reserves that had been earmarked in 2017/18 for future use, along with £2.484 million of reserves to meet financial pressures in homecare services. When taking into account the drawdown of these reserves, an underspend position of £19.912 million was realised against planned 2018/19 budget.
46. The main areas of underspend in 2018/19 related to early delivery of Children's Services savings plans (£3.560 million), non-utilisation of prescribing costs contingency (£3.213 million) and staff cost savings from turnover, recruitment delays and maternity leave (£8.667 million). These were offset by a number of overspends, mainly demand led spend on care packages (£6.588 million), and unachieved transformation programme savings (£3.069 million).

### Efficiency savings

47. The IJB is required to make efficiency savings to maintain financial balance. In 2018/19 the IJB was expected to make savings of £16.964 million. The actual outturn position was £13.895 million, 82% of target. This is mainly due to increased demand in services relating to Learning Disability and Older People.
48. For 2019/20, the savings target for the IJB is £22.975 million, and a savings programme was approved by the IJB in March 2019.
49. The IJB has demonstrated a reasonable track record in the delivery of its agreed savings targets, although unanticipated levels of demand in 2018/19 have made this difficult. Aging populations and increasing numbers of people with long-term conditions and complex needs will continue to place significant pressure on health and social care budgets. Going forward, these pressures

will make it increasingly challenging for the IJB to deliver savings targets whilst meeting its strategic priorities and statutory obligations.

## Reserves strategy

- 50.** 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 has set a target level of unallocated general reserves at 2% of net expenditure.
- 51.** The IJB's underspend for 2018/19 was transferred into reserves. The balance of the IJB's unallocated contingency increased to £14.251 million in 2018/19 (2017/18: £7.429 million). This equates to 1.2% of IJB net expenditure compared to 0.6% in the prior year and demonstrates continued progress towards the IJB's longer term target of 2%.

## Exhibit 5 General fund reserve

2018/19 general fund movements in reserves	Unallocated contingency £m	Earmarked for specific use £m	Total general fund balance £m
Balance at 1 April 2018	7.429	23.946	31.375
Increase in 2018/19	6.698	13.214	19.912
Reserves utilised in 2018/19	(2.484)	(1.925)	(4.409)
Reserves redistributed in 2018/19	2.608	(2.608)	-
<b>Balance at 31 March 2019</b>	<b>14.251</b>	<b>32.627</b>	<b>46.878</b>

Source: 2018/19 Glasgow City Integration Joint Board Annual Accounts

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

## Financial planning and sustainability

- 52.** The IJB allocates the resources it receives from the health board and the council in line with its strategic plan. The current strategic plan was approved by the board in March 2019 and covers the period 2019 to 2022.
- 53.** The board considered partner body financial allocations and budgets for 2019/20 at its meeting of 27 March 2019. The indicative funding offer of £672 million (including set aside) made by the health board was conditionally accepted at that meeting, then confirmed following the health board's approval of its own 2019/20 budget in April 2019.
- 54.** The council funding offer of £433 million for 2019/20 did not include additional funding to address ongoing cost pressures within homecare services. In September 2018, Glasgow City Council transferred services from Cordia LLP back into council services. Non-recurring funding was put in place by the IJB and the council to address the associated 2018/19 budgeted deficit of £6.5 million.

**55.** In its funding offer, the council confirmed it would continue to engage with the Health and Social Care Partnership to identify a financially sustainable solution to address homecare cost pressures going forward. Negotiations are still ongoing to ensure an appropriate resolution is identified for in-year pressures during 2019/20 and to agree a longer-term solution that can be built into baseline budgets for 2020/21 onwards. We will consider this matter further as part of our 2019/20 audit.

## Set aside

**56.** Set aside is the amount of budget attributable to the IJB in respect of the delegated services that are carried out in acute or large hospital services. The 2018/19 set aside of £129.294 million is a notional amount based on three-year average acute hospital activity and cost data to 2016/17.

**57.** The Scottish Government has indicated that it expects health boards to fully implement set aside arrangements during 2019/20, and update allocations made to integration authorities.

**58.** While health boards await guidance on the mechanism for fully implementing the set aside budget, the IJB is currently leading on the development of a commissioning plan for set aside services. This plan will help determine the services which require to be commissioned under the set aside arrangements and how this will shift over time. It will be used to support the strategic planning of these services by both the health board and the integration authorities.

**59.** We will monitor and review the implementation of set aside arrangements as part of the 2019/20 audit.

## Medium term financial outlook

**60.** The IJB approved a three-year Medium Term Financial Outlook in March 2019. The financial outlook covers the period 2019 to 2022 and supports the development of the current strategic plan. The report details a range of scenarios and factors that impact on the IJB's ability to deliver the strategic plan, including anticipated funding levels, cost pressures arising from inflation, service demand and change in demographics, along with anticipated legislative changes and policy commitments. The report identifies a potential funding gap of £36 million in 2019/20, rising to over £100 million by 2021/22.

**61.** As noted in paragraph [55](#), negotiations with the council are ongoing to ensure an appropriate resolution is identified to address the cost pressures within homecare services. To address the remaining savings gap in 2019/20, recurring savings totalling £19.6 million have been identified including efficiency savings, service reform and prioritisation, and shifting the balance of care. Delivery of these savings will be monitored through the transformation programme board. A further £3.4 million of non-recurring expenditure will be funded through use of reserves. Funding of anticipated demographic pressures in year will also be restricted by £6 million.

**62.** The IJB is committed to transforming services through its transformation programme. However, the scale of future programme savings is likely to be more challenging to deliver and may not bridge the funding gap which has been identified for later years. A clear strategy will be required to ensure the IJB remains financially sustainable. The Medium Term Financial Outlook forms a core part of the IJB's development of this strategy.

**63.** Overall, we concluded that the IJB has demonstrated awareness of the challenges ahead and has put in place effective arrangements to ensure the financial sustainability of the organisation over the medium-term.

## EU Withdrawal

64. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business.
65. The IJB has representation on Brexit working groups within both of its partner bodies: Glasgow City Council and NHS Greater Glasgow and Clyde. Discussions have taken place within these working groups around the various implications of Brexit and the mitigating actions being taken in response to these issues.
66. Recognising the potential implications of Brexit, the IJB included an element of contingency for fluctuating global prices within its budget for prescribing costs. However, this was not required to be utilised in 2018/19, mainly as a result of the delay to Brexit. The issue of fluctuating prescribing costs has now been recognised at a national level by the Scottish Government.
67. We are satisfied that the IJB is aware of the potential risks associated with Brexit and is planning as well as possible, given the uncertainty at this time. We will continue to monitor the IJB's preparations for Brexit throughout the coming months as it becomes clear what route the UK will take.

## Changing landscape for public financial management

68. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.
69. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.
70. In preparing its Medium Term Financial Outlook for 2019-2022, the IJB has taken into account the Scottish Government's outlook on the Scottish budget position, including policy priorities and the implications for health and social care funding.



# Part 3

## Governance, transparency and value for money



### Main judgements

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



**The IJB is putting in place arrangements to demonstrate the achievement of Best Value.**

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

### Governance arrangements

71. The IJB has representation from a wide range of service users and partners, including eight councillors from Glasgow City Council and eight board members from NHS Greater Glasgow and Clyde, along with a number of professional members and stakeholder representatives.
72. Following a review of committee arrangements, the IJB decided in December 2018 to remove the former Performance Scrutiny Committee from its committee schedule and transfer its remit to the renamed Finance, Audit and Scrutiny Committee.
73. The board is also supported by a Public Engagement Committee, as well as its management team including the Chief Officer, the Chief Officer (Finance and Resources) and the Chief Social Work Officer.
74. We attended Finance, Audit and Scrutiny Committee and board meetings during the year and noted that members provided robust challenge to management on matters being considered, including the level and content of information within reports. Agendas were often extensive; however the meetings were chaired effectively to ensure that each matter was given due consideration by the committee or board.
75. Development sessions are held separately from board meetings to allow members to give further consideration to particular items or areas of business. In 2018/19, the IJB held six development sessions which covered a variety of themes, such as health improvement; the Strategic Plan; IJB governance and committee structures; homelessness; and budget updates.
76. Overall, we concluded that the arrangements in place support good standards of governance and accountability.

### Openness and transparency

77. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to

understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

- 78.** There is evidence from a number of sources which demonstrate the IJB's commitment to transparency. Full details of the meetings held by the IJB are available through the Glasgow Health and Social Care Partnership website where access is given to all committee papers and minutes of meetings.
- 79.** The IJB receives regular financial monitoring reports which are clear and concise, and each committee and board meeting is open to the public.
- 80.** The IJB also operates a Public Engagement Committee which provides Glasgow's residents and third party and independent sector organisations with a direct route of engagement and role in IJB policy development.
- 81.** We concluded that overall the IJB conducts its business in an open and transparent manner.

### Transparent reporting of financial performance

- 82.** The management commentary that accompanies the financial statements should clearly explain how a body has performed against its budget and how this is reconciled to the financial statements.
- 83.** In its management commentary to the accounts, the IJB sets out its overall financial position for the year and:
  - identifies the main areas of under and overspend arising, including the reasons for these
  - reports on the underachievement of planned savings which arose from service demands within adult and older people services
  - details planned commitments which were not achieved during the year.
- 84.** The financial information reported reconciles with the financial statements and is consistent with the financial position being reported to committee during the year.

### Homecare services

- 85.** During the year a number of risks arose around the delivery of homecare services. Homecare and associated services transferred from Cordia back to the council's social work services department in September 2018. At the point of transfer, a projected full year budget deficit of £6.5 million existed for the financial year, and a cost sharing mechanism was agreed between the council and IJB to address this.
- 86.** Discussions with the council are ongoing to develop a sustainable financial solution for 2019/20 and for future years.
- 87.** In January 2018, Glasgow City Council agreed to address outstanding equal pay claims relating to a Job Evaluation Scheme implemented in 2007. Following negotiation with claimants' representatives, a settlement was agreed in early 2019, with payments to individuals being made through the summer of 2019.
- 88.** A significant number of claimants are employed within homecare services. The IJB identified a potential risk around continued service delivery, should individuals choose to leave the service on receipt of their settlement. Contingency plans were put in place in March 2019 to recruit up to 400 replacement staff. While the service has experienced some staff turnover through the summer, this has not been as high as the IJB originally envisaged,

and has been managed through the contingency plans in place with no impact on service delivery.

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

## Value for money

**89.** To achieve value for money, the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing Best Value in the provision of services and the use of resources.

## Best Value

**90.** Integration Joint Boards have a statutory duty to make arrangements to secure Best Value. We reported last year that the IJB had established governance and performance management arrangements to support the delivery of Best Value. These arrangements include oversight of the health and social care partnership transformation programme which aims to redesign and improve service whilst also delivering financial savings.

**91.** In November 2018, Audit Scotland published a report [Health and social care integration – update on progress](#). This report set out six areas it considers need to be addressed nationally to demonstrate integration is making a meaningful difference to the people of Scotland. Following this, the Ministerial Strategic Group developed a self-evaluation template to allow integration authorities to assess their current positions and identify required actions to progress key areas.

**92.** In response to these reports, the IJB has undertaken a self-evaluation of its integration arrangements. This assessment has also been informed by the views of its key partners. The assessment is based around a number of key features of integration, including:

- collaborative leadership
- integrated financial planning
- effective strategic planning for improvement
- agreed governance and accountability arrangements
- ability and willingness to share information
- meaningful and sustained engagement.

**93.** The IJB has assessed most areas as partially or fully established, with the exception of implementation of delegated hospital budgets. A number of improvement actions have been identified as part of the process and progress on implementation will be monitored through the board. This is an area we will consider further as part of our 2019/20 audit.

**94.** Overall, we concluded that the IJB is putting in place arrangements to demonstrate it is meeting its Best Value duties.

## Performance management

**95.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including: assessing performance in relation to national health and wellbeing outcomes; financial performance

and best value; reporting on localities; inspection of services; and a review of strategic commissioning plan, where applicable.

- 96.** The IJB receives a strategic overview of performance on a quarterly basis. More detailed performance reports are scrutinised at the Finance, Audit and Scrutiny Committee. These reports detail a range of performance information for each service area and use a traffic light system to highlight achievement targets.
- 97.** This detailed performance information is used to inform the annual performance report for 2018/19, which was submitted to the board meeting on 26 June 2019. The content of the annual performance report was in line with requirements of the Act and supporting guidance.
- 98.** The Strategic Plan identifies five strategic priorities that are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice. These are:
- early intervention, prevention and harm reduction
  - providing greater self-determination and choice
  - shifting the balance of care
  - enabling independent living for longer
  - public protection.
- 99.** The annual performance report includes a full list of the key performance indicators reported to the IJB, comparing current, prior year (2017/18) and baseline (2015/16) performance. The report highlights a number of areas where the IJB's performance has shown the greatest improvement in 2018/19, including the number of people in supported living services; the percentage of young people currently receiving an aftercare service who are known to be in employment, education or training; and the percentage of clients commencing alcohol or drug treatment within three weeks of referral.
- 100.** The annual performance report also acknowledged 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:
- unscheduled care – reducing the number of inappropriate Accident & Emergency attendances
  - children's services – increasing the percentage of children obtaining access to specialist Child and Adolescent Mental Health Services
  - criminal justice – increasing the percentage of Community Payback Order work placements commenced within seven days of sentence.
- 101.** We concluded that the IJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives.

## National performance audit reports

- 102.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which may be of direct interest to the board as outlined in [Appendix 3](#).
- 103.** The IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions.

# Appendix 1

## Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Management commentary</b></p> <p>A part of the financial statements audit, we noted that the 2018/19 annual accounts are comprehensive and continue to demonstrate elements of good practice. However, moving forward there is scope to review and refresh the form and content to ensure they:</p> <ul style="list-style-type: none"> <li>remain focused on the issues relevant to the IJB while still meeting reporting requirements</li> <li>take account of other good practice emerging nationally.</li> </ul> <p><b>Risk</b></p> <p>The accounts narrative is not focused and therefore does not fully reflect good practice.</p>	<p>Going forward, officers should engage with Audit Scotland around the form and content of the annual accounts for 2019/20, and consider any good practice examples arising from across the sector</p> <p>Paragraph <a href="#">27</a></p>	<p>The appropriate officer will liaise with Audit Scotland as part of the planning for 2019/20 Accounts.</p> <p>Assistant Chief Officer (Finance)</p> <p>30 June 2020</p>

### Follow up of prior year recommendations

2	<p><b>Transfer of services</b></p> <p>As a result of the council family review, Cordia, one of the council's ALEOs, is to be wound up, with the services currently delivered by Cordia transferred back into the council.</p> <p>The IJB currently commissions homecare services from Cordia at a fixed price. Once the new arrangements are in place, this will become a commissioning arrangement with Glasgow City Council.</p> <p>The transfer of services is due to be completed by 30</p>	<p>The Chief Officer and the Chief Officer (Finance and Resources) should continue to engage with the council to understand the implications and impact of the transfer, and to ensure the required infrastructure is in place in time for the transfer.</p>	<p>As noted in <a href="#">Part 2</a> of this report, discussions are ongoing to address the budget pressures identified as part of the transfer.</p> <p>However, in terms of the risk identified around service delivery, workstreams were completed and infrastructure arrangements were in place by the end of September 2018.</p> <p><b>Conclusion: Actioned</b></p>
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September 2018, which is a short timeframe.

**Risk**

Delays in implementing appropriate infrastructure arrangements impact on the delivery of homecare services commissioned by the IJB.

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3	<p><b>Information sharing protocol</b></p> <p>As reported in our 2017/18 annual audit plan, a tri-partite information sharing protocol (ISP) between the IJB, NHS Greater Glasgow and Clyde and Glasgow City Council was due to be completed and approved by the health board, council and IJB within three months of the IJB's establishment. This has yet to be finalised.</p> <p><b>Risk</b></p> <p>There is a risk that the existing arrangements are out of date and information could be shared inappropriately.</p>	<p>The IJB should ensure that the ISP is updated and approved to ensure that it is up to date and fit for purpose, and to mitigate the risk that information is shared inappropriately.</p>	<p>Information sharing protocol has been drafted by NHS Greater Glasgow and Clyde on behalf of bodies, and has been issued to all parties for final review and signature with a deadline of 31 October 2019.</p> <p><b>Conclusion: Actioned</b></p>
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# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Assessment of the estimation methodology applied by the IJB and the reasonableness of the estimates contained in the financial statements.</p> <p>Evaluation of the assurances from the IJB's partner bodies' external auditors, who carry out testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>All journals processed by the IJB were reviewed, with no issues identified.</p> <p>The accounting estimates made in the preparation of the annual accounts were reviewed and considered reasonable.</p> <p>Testing of accruals and prepayments was carried out by the external auditors of the IJB's partner bodies. No issues were identified which would have an impact on the processing of IJB transactions or our audit approach.</p> <p>No significant transactions outside the normal course of business were identified during the audit process.</p> <p><b>Overall, no fraud concerns were identified from our work in relation to the risk of management override of controls.</b></p>



Audit risk	Assurance procedure	Results and conclusions
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>2 Financial sustainability</b></p> <p>The IJB has accumulated reserves of £31m over the last two financial years. A total of £24m is earmarked for specific commitments, leaving £7m contingency.</p> <p>During 2018/19, the IJB has faced increased financial challenges including:</p> <ul style="list-style-type: none"> <li>• a forecast £3m shortfall in the £17m savings target</li> <li>• additional costs of £3.2m arising from the transfer of services from Cordia LLP to the council</li> <li>• increasing service demand.</li> </ul> <p>The most recent budget monitoring report projects a net underspend of £2.0m, after taking into account:</p> <ul style="list-style-type: none"> <li>• a drawdown of £3.2m from contingency to fund the identified Cordia LLP shortfall</li> <li>• additional funding of £1.5m relating to Housing First.</li> </ul> <p>Over the medium to longer term the IJB will continue to face significant financial challenges, including:</p> <ul style="list-style-type: none"> <li>• increasing pressure on the budget allocation from Glasgow City Council – the council have advised of an expected annual savings target of 5% for 2020/21 and 2021/22</li> <li>• increasing pressure on the budget allocation from NHS Greater Glasgow and Clyde</li> <li>• increasing demand for services</li> <li>• ongoing cost pressures resulting from the transfer of services from Cordia LLP to Glasgow City Council</li> <li>• volatility in prescribing costs</li> <li>• pay inflation.</li> </ul> <p>The 2016-19 Strategic Plan does not include a longer-term financial plan. We understand that the new three-year strategic plan, due to be agreed in March 2019, will include a longer-term financial plan.</p> <p>It is important that the IJB's strategic plan includes a longer-term financial plan.</p> <p>There is a risk that the IJB does not have adequate plans in place that considers the medium to longer-term financial challenges it faces. Without effective planning, the IJB may be unable to deliver its strategic plan.</p>	<p>Ongoing review of financial performance and budget reports to assist in our assessment of the adequacy of the IJB's reporting of its budget and financial performance.</p> <p>Evaluation of the IJB's outturn position for 2018/19.</p> <p>Assessment of the IJB's new Strategic Plan, with a particular focus on the adequacy of the medium and longer-term financial plans it contains.</p> <p>Evaluation of the IJB's 2019/20 budget setting process.</p>	<p>We reviewed and evaluated key documents and reports to committee and concluded that the IJB has:</p> <ul style="list-style-type: none"> <li>• appropriate financial management arrangements</li> <li>• demonstrated a reasonable track record in the delivery of its agreed savings targets</li> <li>• continued to build upon its reserves balance in line with the approved reserves policy</li> <li>• effective arrangements in place to demonstrate financial sustainability over the medium-term.</li> </ul> <p>We also noted work is continuing with the health board to develop set aside arrangements and delegated hospital budgets.</p> <p><b>Overall, the IJB has appropriate arrangements in place to demonstrate ongoing financial sustainability.</b></p>



# Appendix 3

## Summary of national performance reports 2018/19

		 <b>2018/19 Reports</b>	
Local government in Scotland: Challenges and performance 2018		<b>Apr</b>	
Councils' use of arm's-length organisations		<b>May</b>	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		<b>Jun</b>	
		<b>Jul</b>	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		<b>Aug</b>	 Major project and procurement lessons
Children and young people's mental health		<b>Sept</b>	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		<b>Oct</b>	
Health and social care integration: update on progress		<b>Nov</b>	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		<b>Mar</b>	 Local government in Scotland: Challenges and performance 2019

### Reports relevant to Integration Joint Boards

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

# Glasgow City Integration Joint Board

## 2018/19 Annual Audit Report

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