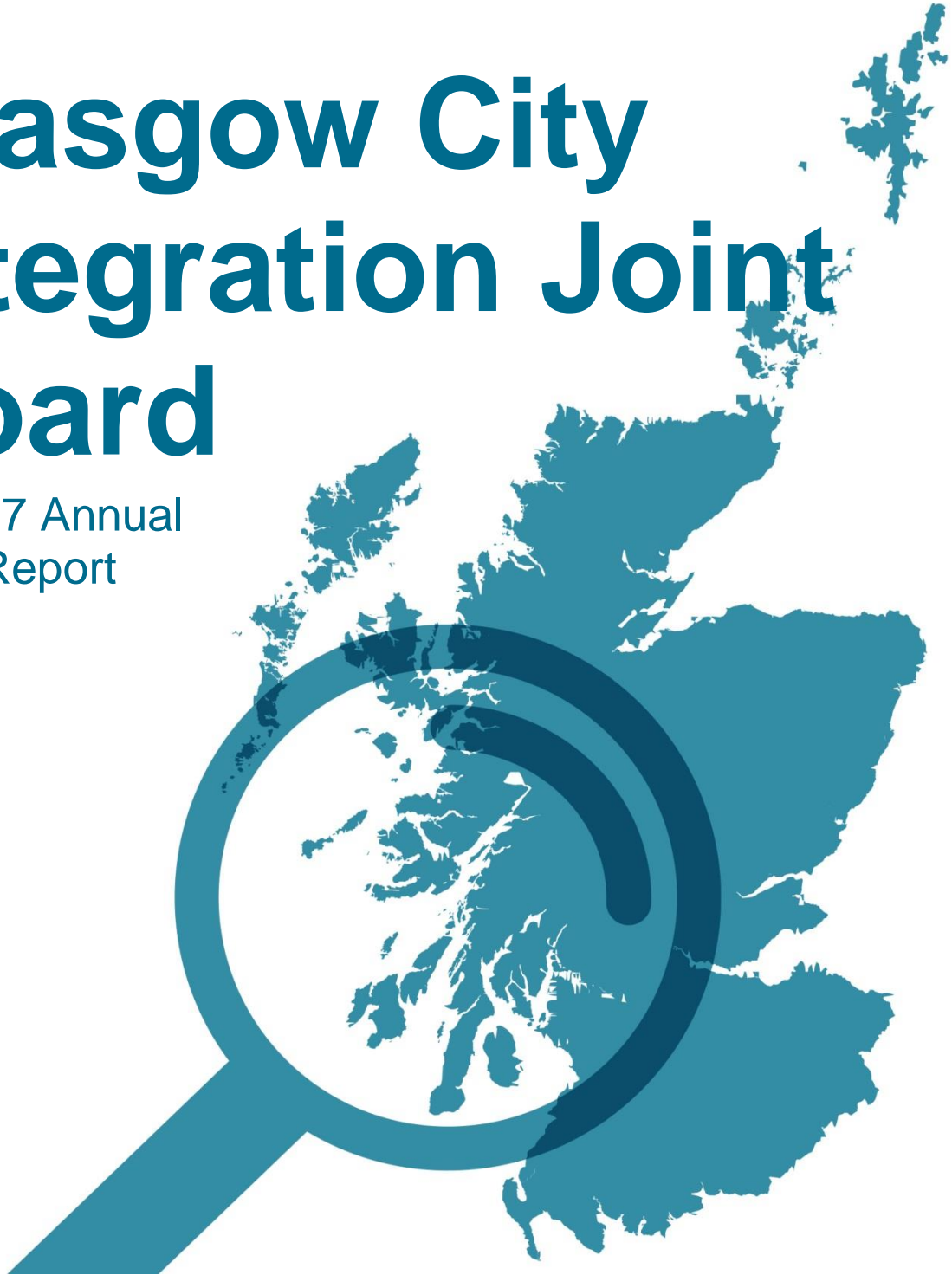


Glasgow City Integration Joint Board

2016/17 Annual
Audit Report



 AUDIT SCOTLAND

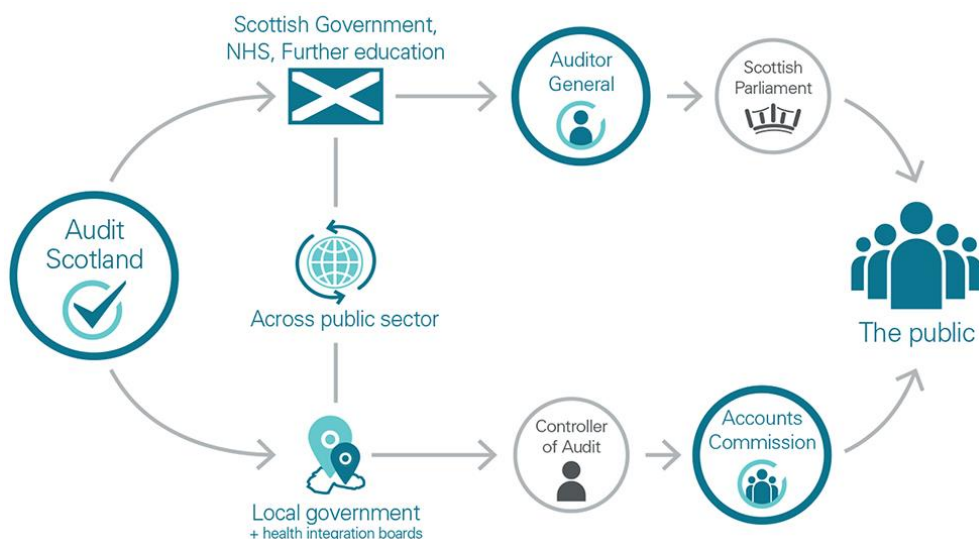
Prepared for Glasgow City Integration Joint Board and the Accounts Commission

20 September 2017

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

2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management

- 2 The IJB has appropriate arrangements in place which provide timely and reliable information for monitoring financial performance.
- 3 The IJB spent £1,270.473 million on delivering health and social care services to the residents of Glasgow and, overall, realised a surplus of £19.309 million in 2016/17. This surplus has been transferred to reserves, in line with the IJB's approved reserves policy, with £11.880 million earmarked for specific purposes.

Financial sustainability

- 4 Total savings of £16.972 million were achieved for 2016/17, 98% of target. Savings of £27.5 million are required for 2017/18.
- 5 It is important that the IJB prioritises medium to long term financial planning to demonstrate financial sustainability and support future developments.

Governance and transparency

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.
- 7 We obtained audit assurance over the accuracy and completeness of financial transactions processed by partner bodies.
- 8 The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.

Value for money

- 9 The audit findings included throughout this report comment on the arrangements that have been put in place by the IJB to secure Best Value in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.
- 10 The IJB demonstrates good practice through detailed presentations on service performance by the Heads of Service at each Finance and Audit Committee meeting.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Glasgow City Integration Joint Board, hereby referred to as the IJB. The report is divided into sections which reflect our public sector audit model.

2. The scope of our audit was set out in our Annual Audit Plan presented to the June 2017 meeting of the IJB. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2016/17 have been:

- an interim audit of the IJB's governance arrangements
- obtaining service auditor assurances from the auditors of NHS Greater Glasgow and Clyde and Glasgow City Council
- an audit of the IJB's 2016/17 annual accounts and the issue of an independent auditor's report setting out our opinions.

4. The IJB is responsible for preparing annual accounts that show a true and fair view, and for establishing effective arrangements for governance which enables the Board to successfully deliver its objectives.

5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

6. These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

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

8. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made. This report contains an action plan at [Appendix 1 \(page 21\)](#), which sets out specific recommendations, responsible officers and dates for implementation.

9. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses identified does not relieve management of their responsibility to address the issues raised and to maintain an adequate system of internal control.

10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services in 2016/17. Our 2016/17 audit fee was set out in our Annual Audit Plan, and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11. This report is addressed to both the Board and the Accounts Commission and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12. The co-operation and assistance received over the course of the audit is gratefully acknowledged and we would like to thank all management and staff who have been involved in our work.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Board on 20 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the remuneration report, management commentary and the annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual accounts for audit

15. We received the unaudited financial statements on 21 June 2017, in line with the timetable agreed in our Annual Audit Plan. Financial information was provided to the IJB in a timely matter from the partner bodies in order to allow them to produce the accounts before the statutory deadline. The partner bodies also provided the IJB with assurance letters confirming the figures were complete and accurate.

16. The working papers provided with the unaudited financial statements were of a good standard and the Chief Officer (Finance and Resources) provided good support to the audit team which helped ensure the annual accounts audit process ran smoothly.

Risks of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also included within the appendix are wider dimension risks, how we addressed these and our conclusions.

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

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the annual report, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the unaudited 2016/17 Annual Accounts we reviewed our original materiality figures and revised the levels to reflect the gross expenditure for the year ended 31 March 2017.

Exhibit 2

Materiality values

| Materiality level | As stated in our Annual Audit Plan | Amount finally determined |
|---|------------------------------------|---------------------------|
| Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017. | £11.143 million | £12.705 million |
| Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of overall materiality. | £7.989 million | £8.894 million |
| Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality, capped at £100,000. | £0.1 million | £0.1 million |

Evaluation of misstatements

21. There were no misstatements which had an impact on the unaudited financial statements.

Significant findings

22. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA 260.

Other findings

23. Our audit identified a number of presentational and disclosure issues in the unaudited financial statements. These were discussed with management and were adjusted for and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

The IJB has appropriate and effective budgetary processes and arrangements in place which provide timely and reliable information for monitoring financial performance.

No weaknesses in internal controls were identified in the systems used to process IJB transactions.

Financial management

24. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.

25. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the Chief Officer (Finance and Resources) has sufficient status to be able to deliver good financial management
- financial regulations 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 including on significant budget variances.

26. We reviewed the financial regulations and standing orders which were created on the formation of the IJB, and we consider these to be comprehensive.

27. The Board receives financial monitoring reports each period, outlining expenditure against budget in the delivery of the range of health and social care services described within the IJB's strategic plan. Budget changes made during the period and explanations for key variances against budget are detailed in the reports. Budget monitoring is also reviewed quarterly at the Finance and Audit Committee.

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

Financial performance in 2016/17

28. The IJB does not hold any assets, nor does it directly incur expenditure or employ staff, other than on the Chief Officer and the Chief Officer (Finance and Resources). All funding and expenditure for the IJB is processed through its partner bodies' accounting systems. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

29. The financial statements report a surplus of £19.309 million for 2016/17. This consists of an underspend by NHS Greater Glasgow and Clyde of £0.014 million and an underspend by Glasgow City Council of £19.295 million. The main reasons for the underspend include the non-utilisation of £3.5 million contingency within the original IJB budget, and a re-phased implementation of additional supported living services in the second half of the year, resulting in £3 million of planned expenditure carried over to 2017/18.

30. The surplus has been taken to reserves, with £11.880 million of this earmarked for expenditure on specific projects in 2017/18. A budget summary for the year is shown in [Exhibit 3](#).

Exhibit 3 Budget Summary

| 2016/17 IJB budget objective summary | Budget £m | Actual £m | Variance £m |
|--|------------------|------------------|---------------|
| NHS Greater Glasgow and Clyde | 533.471 | 533.457 | 0.014 |
| Glasgow City Council | 500.404 | 481.109 | 19.295 |
| Total Net Expenditure | 1,033.875 | 1,014.566 | 19.309 |
| Surplus (from NHS Greater Glasgow and Clyde) | 0 | 0.014 | 0.014 |
| Surplus (from Glasgow City Council) | 0 | 19.295 | 19.295 |
| Earmarked Reserves | 0 | 11.880 | 11.880 |

Source: 2016/17 Glasgow City Integration Joint Board annual accounts

Internal controls

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

32. As part of our 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 controls for those bodies, specifically around the systems relied on by the IJB.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

33. The IJB has a range of activities in place designed to maintain standards of conduct including Codes of Conduct for members. In addition a register of interests

is in place for Board members and senior officers and these are available to view on the Glasgow City Health and Social Care Partnership website.

34. As part of the assurances obtained from the external auditors of the health board and council, it was confirmed that both the partner organisations had in place effective policies for bribery and corruption, including established whistleblowing procedures for officers.

35. The arrangements for the prevention and detection of bribery and corruption are satisfactory and we are not aware of any specific issues that we need to record in this report.

Part 3

Financial sustainability



Main judgements

The IJB's financial position is sustainable but challenging. The IJB is carrying forward £7.4 million of unallocated reserves. Maintaining an appropriate reserve balance will aid the IJB in achieving financial balance in future years.

Good progress has been made in developing medium term financial planning, with a three year financial strategy prepared based on assumed savings of 5% per year.

Savings plans are challenging but achievable, underpinned by a Transformational Change Programme which aims to transform services.

Financial planning

36. The IJB allocates the resources it receives from the health board and council in line with its Strategic Plan, which was approved by the Board in March 2016.

37. As previously reported in paragraph 29, the IJB achieved a surplus of £19.309 million in 2016/17. A significant part of this surplus (£11.880 million) relates to funding for projects that will be carried into 2017/18.

38. The Board considered the 2017/18 financial allocations and budgets at its meeting in March 2017. The net allocation of £398.3 million from Glasgow City Council was agreed at the March 2017 meeting of the Board, however the initial allocation from the health board was rejected by the IJB at that time as it fell below the 2016/17 recurring budget level, and included a proportional share of £3.6 million unachieved savings from 2015/16 which the IJB do not consider to be part of the baseline budget.

39. The Chief Officer (Finance and Resources) and the Chief Officer of the Board have been liaising with the Director of Finance of NHS Greater Glasgow and Clyde around the 2017/18 budget allocation, updating both the Finance and Audit Committee and the Board of the IJB as to the progress. A revised allocation from the health board of £645 million, plus £120.8 million set aside, was received in August 2017 and was considered and approved by the Board in September 2017.

40. For 2017/18, the Board has agreed to utilise £2 million of reserves to fund their share of the unallocated savings within the health board allocation. Whilst this addresses the overall funding position for 2017/18, further discussion will be required to resolve this matter in future years.

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.

Reserves strategy

41. Reserves are an integral part of the medium and longer term financial plan of the IJB and its financial sustainability. A reserves policy was approved by the Board in December 2016. Reserves will be held by the IJB as a contingency to mitigate the impact of unanticipated overspends and also to meet specific future commitments. When determining the level of reserves to be held by the IJB, consideration was given to the strategic, operational and financial risks facing the IJB in the medium term and the Board's overall approach to risk management. Based on the size and scale of the IJB, the Board has set a target level of unearmarked reserves at 2% of net expenditure.

42. In 2016/17, the IJB transferred its surplus of £19.309 million to reserves with £11.880 million earmarked for specific purposes. The remaining £7.429 million equates to 0.7% of the Board's net expenditure in year and provides progress towards the IJB's longer term reserves target, in the Board's first year of operation.

Efficiency savings

43. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing populations and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets. This puts further pressure on IJB finances.

44. The maintenance of a sound financial position going forward is dependent on achieving significant savings to bridge the gap between available funding from current sources and the cost of services.

45. In 2016/17 the IJB agreed savings plans totalling £22.491 million on an annual basis. Savings relief of £5.258 million was applied to some of the NHS savings to recognise that these would not be delivered for the full year, giving a revised savings target of £17.233 million. At the end of the financial year, the IJB delivered savings of £16.972 million, 98% of target. For 2017/18, the combined savings target for the IJB is £27.5 million.

46. In December 2016, officers reported a savings allocation of £18.7 million within the Council's proposed funding allocation for 2017/18, including a stretch target of £4.9 million. Savings plans totalling £13.8 million had been previously approved by the Council. Additional savings measures in 2017/18 have been identified by the IJB to address the gap, and progress towards achievement is monitored through the Integration Transformation Board.

47. The proposed health board allocation for 2017/18, considered by the IJB in March 2017, includes a savings allocation of £8.8 million. This allocation excludes a proportional share of unachieved savings from 2015/16, which has been subject to separate discussions. A total of £6.1 million savings through service reforms were set out in March 2017, leaving a savings shortfall £2.7 million to be addressed. The Board agreed to fund this shortfall through drawdown of reserves until further proposals are developed through the financial year.

Recommendation 1

The IJB should seek early engagement with the health board to resolve outstanding issues around proportional shares of unachieved savings beyond the 2017/18 financial plan.

48. The 2016/17 budget forms the baseline of the IJB's three year financial plan. As part of their financial strategy, the Board has assumed that efficiencies of 5% require to be delivered each financial year going forward. The Board recognises the significant and unprecedented challenges ahead and that service delivery models and levels will need to be transformed going forward.

49. The IJB has established a Transformational Change Programme, which is monitored via an Integration Transformation Board. This Programme aims to deliver transformational change in health and social care services in Glasgow in line with the IJB's Strategic Plan and the National Health and Wellbeing Outcomes. Effective delivery of the programme should allow the IJB to realise the level of savings built into their three year financial plan.

Part 4

Governance and transparency



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.

Good progress has been made in the development of risk management arrangements to ensure they are fit for purpose and subject to regular review and update.

The IJB conducts its business in an open and transparent manner.

Governance arrangements

50. The IJB was formally established on 6 February 2016, with the delegation of functions from NHS Greater Glasgow and Clyde and Glasgow City Council on 1 April 2016. The Board is responsible for the strategic planning, management and delivery of the health and social care services delegated to it in line with the Integration Scheme between its two partner bodies.

51. The Board has 32 members and is comprised of sixteen voting members; eight elected members of Glasgow City Council and eight non-executive members of NHS Greater Glasgow and Clyde as well as a number of professional members and stakeholder representatives.

52. The Board is supported in its work by an Executive Committee, a Finance and Audit Committee and a Public Engagement Committee, as well as its management team, including the Chief Officer and the Chief Officer (Finance and Resources).

53. The Board and committees met on a regular basis throughout the year. We review minutes of Board and Finance and Audit Committee meetings to assess their effectiveness. We also periodically attend meetings of the Finance and Audit Committee. Additionally, we attend selected Board meetings as observers.

54. As part of the wider review of governance arrangements across the public sector we completed a follow-up review of the 'Role of the Boards' national report, published in September 2010. This involved review of documentation, discussions with key officers and attendance at Board and committee meetings. From this work we found:

- a good level of challenge being applied to decision making at the committee and board meetings we attended
- good standards of conduct and behaviour were observed
- members receive sufficient training, tailored to their needs, including an introductory presentation outlining the function of the IJB and members' roles and responsibilities

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.

- periodic development sessions and ongoing training and support are available to members.

55. We concluded that overall the Board has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

Internal audit

56. Internal audit provides the IJB Board and Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

57. The IJB's internal audit function is carried out by the internal audit department of Glasgow City Council. We carried out a review of the adequacy of the internal audit function and concluded that operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

58. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. We did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements audit work. However, we did consider internal audit report findings regarding the IJB's governance arrangements as part of our wider dimensions work. There were no issues identified by internal audit that would have an impact on our audit of the IJB's annual accounts.

59. Internal audit has developed working relationships with partner bodies to facilitate information sharing relevant to the audit of the IJB. Quarterly meetings are held with PwC, the internal auditors for NHS Greater Glasgow and Clyde, and the Chief Internal Auditor has access to relevant health board audit reports, to allow him to consider and report identified risks to the IJB. These current arrangements are informal, and rely on the maintenance of good working relationships between the bodies.

Recommendation 2

The IJB should consider formalising current internal audit protocols and arrangements with partner bodies to ensure continued access and information sharing between bodies.

Risk management

60. It is a requirement of the Integration Scheme that a risk management policy and procedure is developed by the IJB. We reviewed the risk management arrangements in place at the IJB and formed a judgement on the appropriateness of these arrangements. The IJB, health board and council risk registers are scrutinised quarterly by the Finance and Audit Committee and Senior Management Team, with six monthly updates to the Board.

61. A risk management policy and strategy was approved by the IJB in February 2016, with the objectives of:

- promoting awareness of risk and defining responsibility for managing risk within the IJB
- establishing communication and sharing of risk information through all areas of the IJB

- initiating measures to reduce the IJB's exposure to risk and potential loss; and
- establishing standards and principles for the efficient management of risk, including regular monitoring and review.

62. A review and revision of the risk management strategy was carried out at the IJB development session in June 2017, and will be reported to the IJB in September 2017.

63. An annual review of the IJB's risk management is undertaken, with the 2016/17 review reported to the IJB in June 2017. The purpose of this review is to provide a summary of the risk management activity and risk registers maintained within the health and social care partnership.

64. Based on our review we are satisfied with the progress the IJB has made to develop and improve its risk management arrangements, and concluded that the IJB has good risk management arrangements in place.

Transparency

65. Transparency means that the public, and in particular, local residents, have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

66. Full details of the meetings held by the IJB are available through both the Glasgow Health and Social Care Partnership website and the Glasgow City Council website. Board and committee papers, along with minutes of meetings, are publically available and members of the public are permitted to attend and observe scheduled meetings. Public notice of each meeting is given on the website.

67. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

Other governance arrangements

68. The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The IJB's overarching Strategic Plan and the locality plans in place for Glasgow City's three localities (north east, north west and south) enable partners to engage in and support the delivery of the health and social care provision.

Part 5

Value for money



Main judgements

The IJB's first annual performance report was presented to the Board in June 2017, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act.

The IJB demonstrates good practice through detailed presentations on service performance by the Heads of Service at each Finance and Audit Committee meeting.

Best Value

69. Local government bodies, including IJBs, have a statutory duty to make arrangements to secure Best Value (BV) through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.

70. Value for money is a key element of our audit approach. The audit findings included throughout this report comment on arrangements that have been put in place by the Board to secure BV in areas such as financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.

Performance management

71. In order 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.

72. The Public Bodies (Joint Working) (Scotland) Act 2014 and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially.

73. In addition to the scrutiny of performance by locality management teams, the IJB's Finance and Audit Committee scrutinises the IJB's performance and receives performance reports on a quarterly basis. These reports are publically available within the committee papers on the IJB's website. The IJB also maintains a strategic overview of performance with regular performance updates received.

74. The IJB's Strategic Plan identifies five key 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

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

- shifting the balance of care
- enabling independent living for longer
- public protection.

75. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Scottish Government 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 the strategic commissioning plan, if applicable.

76. A performance report was submitted to the IJB Board meeting on 21 June 2017. The report included sections on delivering the IJB's key priorities, locality planning, financial performance and a performance summary. We are satisfied that the report met the requirements of the 2014 Act.

77. The performance report includes a full list of the key performance indicators reported to the IJB, comparing current and baseline (2015/16) performance. A red/amber/green system is used to monitor the IJB's performance. Areas where the IJB is performing well in relation to the baseline data include alcohol and drugs and primary care, with homelessness and unscheduled care currently rated red.

National performance audit reports

78. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 3](#) accompanying this report.

79. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home. We also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. The scale of the change is significant and will not happen quickly. Therefore, we will carry out a second audit in 2018, now integration authorities are more established, to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for impact on the lives of local people.

80. The IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions, as evidenced by the updates taken to the Board in respect of Audit Scotland's Social Work in Scotland 2016 and NHS in Scotland 2016 reports.

Good practice

81. The Code of Audit Practice requires auditors to identify good practice for wider dissemination.

82. At each meeting of the IJB's Finance and Audit Committee, a Head of Service gives a presentation on the performance of their service. This gives members a more detailed insight into the services provided by the IJB and how the IJB is performing in delivering these services. In addition, the annual performance report includes a number of case studies and examples of service user feedback which

illustrate the work of the health and social care partnership and the impact it has on the residents of Glasgow City.

83. Both of the examples above are considered to be areas of good practice.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

| Page no. | Issue/risk | Recommendation | Agreed management action/timing |
|----------|---|---|--|
| 13 | <p>1. Budget setting and savings targets</p> <p>The 2017/18 financial allocation from the health board was not agreed until September 2017, 6 months into the financial year. Specific issues around a proportional share of unachieved savings from 2015/16 have still to be resolved for future years. Delays in agreeing final allocations with partners hinder the effectiveness of financial planning and service delivery.</p> <p>Risk</p> <p>Uncertainty and delays around financial allocations puts pressure on service delivery and performance, and may result in a balanced budget not being delivered.</p> | <p>The IJB should seek early engagement with the health board to resolve outstanding issues around proportional share of unachieved savings beyond the 2017/18 financial plan.</p> | <p>The revised 2017/18 financial allocation from the health board was presented to the Integration Joint Board in September 2017 for approval. Ongoing dialogue with health board around unachieved savings allocations as part of future budget proposals.</p> <p>Chief Officer (Finance and Resources)</p> <p>Ongoing</p> |
| 16 | <p>2. Internal audit protocols</p> <p>Current protocols around information sharing are not formalised and rely on established relationships between partner bodies.</p> <p>Risk</p> <p>The IJB may not have access to relevant internal audit reports and information from partner bodies.</p> | <p>The IJB should consider formalising current internal audit protocols and arrangements with partner bodies to ensure continued access and information sharing between bodies.</p> | <p>Whilst the current arrangements are working well and there is ongoing dialogue between the Chief Internal Auditor to the Integration Joint Board and Chief Internal Auditor of NHS Greater Glasgow and Clyde, it is accepted that formalising the arrangements going forward may be beneficial should there be any future change in the Internal Audit provision. Any formal agreement will also take into account the requirements of the General Data Protection Regulations.</p> <p>Chief Internal Auditor</p> <p>April 2018</p> |

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 accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| Risks of material misstatement in the financial statements | | |
| <p>1 Risk of management override of controls</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 in order to change the position disclosed in the financial statements.</p> | <p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused 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 to be reasonable.</p> <p>Testing of accruals and prepayments was carried out by the 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>No fraud concerns were identified from our work in relation to the risk of management override of control.</p> |
| <p>2 Preparation of financial statements</p> <p>Operational financial statements are required for the first time in 2016/17, and are more complex than in the prior year.</p> <p>There is a risk that the procedures for agreeing the year end balances are not fully embedded; and that this may not be agreed in time to enable NHS Greater Glasgow and Clyde to meet its deadline for approving and reporting its accounts in June 2017. There is</p> | <p>Continued communication with officers prior to the accounts being prepared to help ensure the relevant information is disclosed and timetable met.</p> <p>Review of compliance with accounting standards and legislation as part of the financial statements audit.</p> <p>Review of governance arrangements against the Code requirements.</p> <p>Obtain assurances from the auditors of partner bodies over the accuracy, completeness and appropriate allocation of</p> | <p>There was ongoing communication and periodic meetings held with the Head of Finance and Chief Officer (Finance and Resources) over the course of the audit to ensure the relevant information was included within the annual accounts and that the IJB met the agreed timetable for the provision of information to the health board and for the preparation of its own annual accounts. The IJB provided information to the health board within the agreed timescale and the IJB accounts were prepared and submitted to audit</p> |





















| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| <p>also a risk that the annual accounts are not in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the UK (the “Code”).</p> | <p>the IJB ledger entries.</p> | <p>within the required timetable.</p> <p>Compliance with accounting standards and legislation was assessed during the accounts audit process. No compliance issues were identified.</p> <p>The governance arrangements at the IJB were reviewed and found to be sound.</p> <p>Assurances were received from the auditors of NHS Greater Glasgow and Clyde and Glasgow City Council. They provided sufficient assurance over the completeness, accuracy and allocation of IJB costs.</p> |
| <p>3 Governance statement and management assurances</p> <p>The preparation of the financial statements of the IJB relies on the provision of financial and non-financial information from the systems of both NHS Greater Glasgow and Clyde and Glasgow City Council.</p> <p>The Chief Officer (Finance and Resources) of the IJB must obtain sufficient assurance that the costs transferred to the accounts of the IJB are complete and accurate and were incurred on behalf of the IJB for services prescribed in the integration scheme.</p> <p>There is a risk that that Chief Officer (Finance and Resources) does not have adequate assurance that information received from the partners is complete and accurate.</p> | <p>Obtain assurances from the external auditors of NHS Greater Glasgow and Clyde and Glasgow City Council over the accuracy, completeness and occurrence of the IJB ledger entries and that they have been allocated appropriately.</p> <p>Confirm that the financial reporting throughout the year is accurately reflected in the year end position.</p> <p>Consider whether appropriate action is taken on issues raised in internal audit reports.</p> <p>Assess whether the governance statement adequately reflects the position of the IJB.</p> | <p>Assurances were received from the auditors of NHS Greater Glasgow and Clyde and Glasgow City Council and copies of the assurances the IJB received from the health board and council were provided by the Chief Officer (Finance and Resources). They provided sufficient assurance over the completeness, accuracy and allocation of IJB costs.</p> <p>We compared the financial information reported throughout the year with the Board’s year end position and found that there was scope to improve the budget monitoring reports presented to the IJB to more accurately reflect the financial position of the Board. This was discussed with officers and improvements have been made to the 2017/18 budget monitoring reports presented to the Board.</p> <p>Appropriate management responses, responsible officers and timescales for implementation are included against all recommendations made in internal audit reports. We will review internal audit’s follow up reports to ensure that appropriate action is taken on the issues raised by internal audit.</p> <p>Considered the governance statement disclosures against wider knowledge and knowledge of the IJB and conclude that the governance statement adequately reflects the position of the IJB.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|---|
| Risks identified from the auditor's wider responsibility under the Code of Audit Practice | | |
| <p>4 Budget setting and financial sustainability</p> <p>The 2016/17 budget, excluding the amount set aside for acute services, was not agreed by the Board until September 2016. The 2016/17 set aside budget has still to be finalised.</p> <p>The latest financial allocations and plans for 2017/18 submitted to the Board highlight required savings of £24.8 million and identify a funding gap of £2.7 million.</p> <p>The 2017/18 IJB budget has not yet been finalised as the health board allocation has still to be agreed.</p> <p>There is a risk that delays in agreeing the 2017/18 budget, including the savings proposals necessary to deliver this, may impact on the financial management of the IJB and service delivery.</p> | <p>Review of the IJB's progress in agreeing a budget and savings proposals for 2017/18.</p> <p>Review of the effectiveness of the IJB's financial plans.</p> | <p>On 20 September 2017, the Board considered and approved an updated budget allocation from the health board.</p> <p>The IJB is currently working towards 5% savings each year, on the basis of a three year financial strategy.</p> |

Appendix 3

Summary of national performance reports 2016/17



| | | | |
|------|---|---|--|
| Apr | | | |
| May |  | Common Agricultural Policy Futures programme: an update | |
| Jun |  | South Ayrshire Council: Best Value audit report |  The National Fraud Initiative in Scotland |
| Jul |  | Audit of higher education in Scottish universities |  Supporting Scotland's economic growth |
| Aug |  | Maintaining Scotland's roads: a follow-up report |  Superfast broadband for Scotland: a progress update |
| | | |  Scotland's colleges 2016 |
| Sept |  | Social work in Scotland |  Scotland's new financial powers |
| Oct |  | Angus Council: Best Value audit report |  NHS in Scotland 2016 |
| Nov |  | How councils work – Roles and working relationships in councils |  Local government in Scotland: Financial overview 2015/16 |
| Dec |  | Falkirk Council: Best Value audit report |  East Dunbartonshire Council: Best Value audit report |
| Jan | | | |
| Feb |  | Scotland's NHS workforce | |
| Mar |  | Local government in Scotland: Performance and challenges 2017 |  i6: a review |
| | | |  Managing new financial powers: an update |

Glasgow City Integration Joint Board

2016/17 Annual Audit Report

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