

# Glasgow City Integration Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for Glasgow City Integration Joint Board

April 2021

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# Risks and planned work

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**1.** This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

**2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

**3.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

**4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before COVID-19. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value

**5.** We aim to add value to Glasgow City Integration Joint Board (the IJB) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help Glasgow City Integration Joint Board promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

**6.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for Glasgow City Integration Joint Board. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

### 2020/21 Significant audit risks

Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries</li> <li>• Focused testing of accruals and prepayments</li> <li>• Evaluation of significant transactions that are outside the normal course of business</li> <li>• Cut-off testing.</li> </ul>
<p><b>2 Impact of additional funding due to Covid-19 on the financial statements</b></p> <p>The Covid-19 pandemic has resulted in significant financial pressures for the Integration Joint Board. The Scottish and UK governments have announced a range of additional funding streams to support frontline services and help the organisation manage the financial pressures caused by Covid-19.</p> <p>This has also resulted in an associated increase in expenditure with some new expenditure streams. Total additional funding for the IJB is expected to be in the region of £46.7million. This additional income and expenditure includes a mixture of principal and agency transactions which are subject to different accounting considerations in the preparation of the financial statements.</p> <p>There is a risk that the reserve balances carried forward incorrectly include funding where the IJB is acting as an agent.</p>	<ul style="list-style-type: none"> <li>• Anticipated COVID-19 commitments and expenditure have been monitored throughout the year</li> <li>• This has been regularly reported to the IJB through financial reporting</li> <li>• Regular updates have also been provided to Scottish Government to ensure funding is reflective of costs</li> <li>• The IJB will ensure compliance with the Code of Practice when accounting for all COVID-19 transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess how the Integration Joint Board has processed and controlled the additional funding and associated expenditure.</li> <li>• Assess how the additional funding and associated expenditure impacts on the financial statements.</li> <li>• Review the Annual Report and Accounts and consider how the additional funding and associated expenditure has been reported.</li> </ul>
<b>Wider dimension risks</b>		
<p><b>3 Financial sustainability - medium term</b></p> <p>The financial plan for 2021/22 outlines cost pressures of £21.6m. Taking account of proposed partner funding levels, this results in a projected funding gap of £5.9m for</p>	<ul style="list-style-type: none"> <li>• Delivery of savings will continue to be closely monitored and reported to the IJB on a regular basis</li> <li>• The Transformation Programme Board</li> </ul>	<ul style="list-style-type: none"> <li>• Review the Integration Joint Board's reported outturn financial position as part of the financial statements audit</li> <li>• Assess the delivery of in-year savings programs</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p>the year to be met from savings options.</p> <p>However, the medium-term financial outlook for 2021-2024 forecasts a significant increase in this funding gap over the following 2 years, with a further £52m of savings required to balance the budget.</p> <p>There is a risk that the scale of savings required means the Integration Joint Board will be unable to achieve a sustainable outturn position going forward, particularly given the uncertainty around Covid-19 and increasing service demands.</p>	<p>will continue to monitor delivery of existing savings as well as the development of proposals for future savings to help to address the funding gap identified by the Medium Term Financial Outlook</p> <ul style="list-style-type: none"> <li>The Medium Term Financial Outlook will continue to be reviewed on an annual basis and will be used as part of funding discussions with Partner Bodies</li> </ul>	<ul style="list-style-type: none"> <li>Review the robustness of future savings plans identified.</li> </ul>

Source: Audit Scotland

**7.** As set out in ISA(UK) 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted the risks of material misstatement caused by fraud in income recognition in 2020/21 as the IJB receives its income by way of budget allocations from Glasgow City Council (GCC) and NHS Greater Glasgow and Clyde (NHSGGC) and then commissions services in line with its Strategic Plan. This limits the opportunity for manipulation.

**8.** In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2020/21 because the IJB's expenditure is processed through the financial statements of GCC and NHSGGC. The manipulation of expenditure is deemed as a risk for GCC and NHSGGC rather than the IJB and we obtain assurances from the auditors of GCC and NHSGGC over the accuracy and completeness of the transactions coded to IJB account codes.

## Reporting arrangements

**9.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**10.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

**11.** We will provide an independent auditor's report to Glasgow City Integration Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 2

### 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	30 April 2021	14 April 2021
Independent Auditor's Report	30 November 2021	TBC
Annual Audit Report	30 November 2021	TBC

Source: Audit Scotland

**12.** The statutory deadline for certifying the annual accounts has been pushed back to 30 November 2021. There is still considerable uncertainty around the impact of Covid-19 and therefore, our approach when necessary will be flexible. Whilst we will do our best to achieve the statutory deadlines, we are unable to make any definitive commitments to meeting them at this early stage of the audit. We will continue our ongoing and regular dialogue with finance staff to ensure they, and we, remain sighted on these challenges.

### Audit fee

**13.** The proposed audit fee for the 2020/21 audit of Glasgow City Integration Joint Board is £27,330 [2019/20: £26,560]. In determining the audit fee we have taken account of the risk exposure of Glasgow City Integration Joint Board, the planned management assurances in place and the level of internal audit's work that we plan to use. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 30 June 2021.

**14.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to make use of the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

### Responsibilities

#### Finance, Audit and Scrutiny Committee and Chief Officer: Finance and Resources

**15.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**16.** The audit of the annual accounts does not relieve management or the Finance, Audit and Scrutiny Committee, as those charged with governance, of their responsibilities.

#### Appointed auditor

**17.** Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**18.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Annual accounts

**19.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Glasgow City Integration Joint Board and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Glasgow City Integration Joint Board will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**20.** We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with the IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Statutory other information in the annual accounts

**21.** We also review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**22.** We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

## Materiality

**23.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

**24.** We assess materiality at different levels as described below and the calculated materiality values for Glasgow City Integration Joint Board are set out in [Exhibit 3](#).

## Exhibit 3

### Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the figure we use to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts for 2019/20 and adjusted to reflect estimated Covid-19 expenditure in year.	£22.75 million
<b>Performance materiality</b> – 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 65% of planning materiality.	£14.75 million
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£250,000

Source: Audit Scotland

## Internal audit

**25.** Internal audit is provided by Glasgow City Council. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK)610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

**26.** We will report any significant findings to management on a timely basis.

### Using the work of internal audit

**27.** International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication. We have considered the findings of the work of internal audit as part of our planning process and from our initial review of internal audits plan, we do not plan to use the work of internal audit as part of our audit of the 2020/21 accounts.

## Audit dimensions

**28.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

## Exhibit 5

### Audit dimensions



Source: Code of Audit Practice

**29.** In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

**30.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

### Financial sustainability

**31.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether there are arrangements in place to demonstrate the affordability and effectiveness of funding decisions.

### Financial management

**32.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

**33.** As part of our work this year, we will broaden our consideration of these matters in light of the impact of the Covid-19 pandemic.

### **Governance and transparency**

**34.** 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. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with partners)
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

**35.** As part of our work this year, we will broaden our consideration of these matters in light of the impact of the Covid-19 pandemic.

### **Value for money**

**36.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the IJB can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- there is sufficient focus on improvement and the pace of it.

### **Best Value**

**37.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. We will review and report on these arrangements.

### **Independence and objectivity**

**38.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**39.** The engagement lead (i.e. appointed auditor) for Glasgow City Integration Joint Board is John Cornett, Audit Director. Auditing and ethical standards require the appointed auditor, John Cornett, to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Glasgow City Integration Joint Board.

### **Quality control**

**40.** International Standard on Quality Control 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

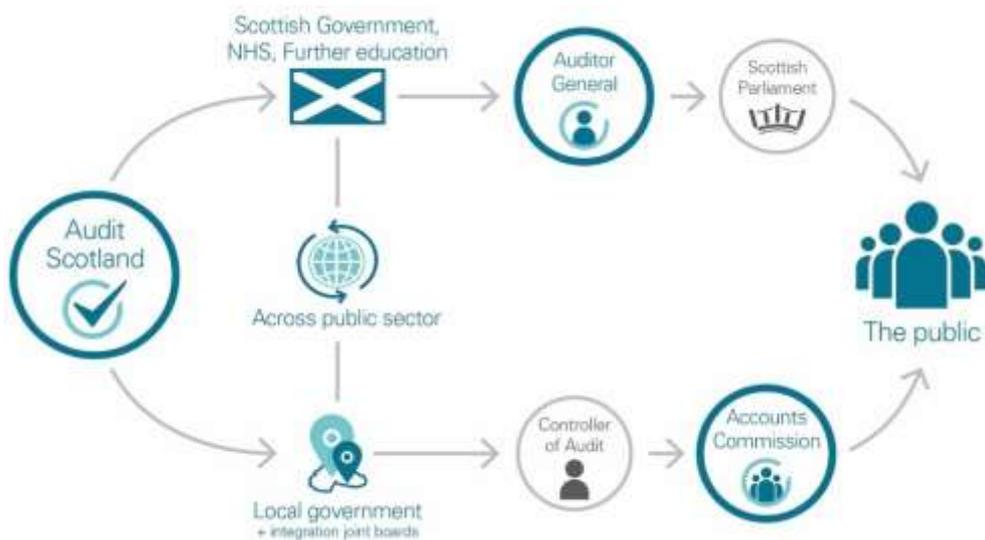
**41.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**42.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

# Appendix 1: Who we are

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

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



## About us

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

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

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

# Glasgow City Integration Joint Board

## Annual Audit Plan 2020/21

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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