

Inverclyde Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Inverclyde Integration Joint Board and the Controller of Audit
11 September 2018

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

2017/18 annual report and accounts

- 1 In our opinion Inverclyde IJB'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 are consistent with the financial statements and prepared in accordance with applicable guidance.

Financial management and sustainability

- 3 Improvements have been made to the format and quality of financial monitoring reports, however financial reporting throughout the year was not timely, with the report in March only covering the period to December and not recognising a turnaround in year-end forecast.
- 4 A medium term financial plan has been developed.
- 5 The IJB achieved a surplus of £1.8 million, and now has cumulative reserves of £5.8 million. All reserves are earmarked for specific purposes.

Governance, transparency and value for money

- 6 The annual performance report covers all expected areas and highlights how achievements align to the IJB's five Strategic Commissioning themes. It also supports the IJB in demonstrating Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality of service provision.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Inverclyde Integration Joint Board, hereby referred to as the 'IJB'.
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee meeting on 20 March 2018. This report comprises the findings from our main elements of work in 2017/18 including:
 - an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our 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](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. 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.
4. 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.
5. 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.

6. As public-sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. 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 may not be all that exist.
9. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
10. 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 2017/18 audit fee of £24,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. 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.
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.
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 2017/18 annual accounts



Main judgements

In our opinion Inverclyde IJB'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 are consistent with the financial statements and prepared in accordance with applicable guidance.

Audit opinions on the annual accounts

- 14.** The annual accounts for the year ended 31 March 2018 were approved by the board on 11 September 2018. We reported within our independent auditor's report that in our opinion:
- 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 properly prepared in accordance with proper accounting practices.
- 15.** Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

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.

Submission of annual accounts for audit

- 16.** We received the unaudited annual accounts on 25 June 2018 in line with our agreed audit timetable. The working papers provided were of a good standard and the Chief Financial Officer provided support to the audit team which helped ensure the 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, wider dimension risks, how we addressed these and our conclusions. These risks had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team.

Materiality

- 18.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. On receipt of the annual report and accounts we reviewed our planning materiality and concluded that, the materiality levels required only minor adjustment. These are shown in [Exhibit 2](#).

Exhibit 2

Materiality values

| Materiality level | Amount |
|-------------------------|--------------|
| Overall materiality | £1.5 million |
| Performance materiality | £1.1 million |
| Reporting threshold | £45,000 |

Source: Audit Scotland, 2017/18 Inverclyde Integrated Joint Board Annual Audit Plan

Significant findings from the audit in accordance with ISA 260

- 19.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised 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.
- 20.** The findings include our views about significant qualitative aspects of the board's accounting practices including:

- Accounting policies
- Accounting estimates and judgements
- Significant financial statements disclosures
- Timing of transactions and the period in which they are recorded
- The impact on the financial statements of any uncertainties
- The effect of any unusual transactions on the financial statements
- Misstatements in the annual report and accounts
- Disagreement over any accounting treatment or financial statements disclosure

Exhibit 3

Significant findings from the audit of the financial statements

| Issue | Resolution |
|---|---|
| <p>1. Reserves</p> <p>The movement in reserves statement included a number of earmarked reserves for which the nature and purpose were not clearly identified.</p> <p>Earmarked reserves are amounts set aside for specific policy purposes or for general contingencies and cash flow management. For each reserve established, the purpose, usage and the basis of transactions needs to be clearly set out.</p> | <p>Management reviewed disclosures in the movement in reserves statement and have updated relevant descriptions as appropriate.</p> |

How we evaluate misstatements

21. There were no misstatements that had an impact on the unaudited annual report and accounts.

Good practice in financial reporting

22. The Chief Finance Officer has taken steps to improve the annual accounts and reflect some of the good practice as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)' (April 2018).

Follow up of prior year recommendations

23. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward). In total, three agreed actions were carried forward from 2016/17. Of these:
- two have been fully implemented, with the IJB improving the format and clarity of financial monitoring reports and developing systems and processes to enable it to demonstrate the delivery of Best Value; and
 - one has been partially complete, with the IJB having implemented a medium term financial plan but a long term financial strategy needs to be developed.
24. Overall the IJB has made reasonable progress in implementing these actions. For the action not yet fully implemented, revised responses and timescales have been agreed with management in the Action plan included at [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

Improvements have been made to the format and quality of financial monitoring reports, however financial reporting throughout the year was not timely, with the report in March only covering the period to December and not recognising a turnaround in year-end forecast.



A three-year medium term financial plan has been developed.

The IJB achieved a surplus of £1.8 million and now has cumulative reserves of £5.8 million. All reserves are earmarked for specific purposes. There are no unearmarked reserves to support the IJB in meeting future unforeseen contingencies.

Financial management

25. 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 Financial Officer 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.

26. The Chief Financial Officer was in post throughout the accounting period and is responsible for ensuring that appropriate financial services are available to the IJB and the Chief Officer.

27. The IJB receives regular financial monitoring reports. The format of these reports was revised following a prior year audit recommendation, and now details the IJB's planned utilisation of reserves. Reports are clear and concise, outlining expenditure against budget in the delivery of the range of health and social care services described within the IJB's strategic plan. Financial reporting throughout the year was not, however, representative of the final outturn position.

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

28. As detailed in [Exhibit 3](#), the IJB was forecasting a planned use of reserves of £2.2 million in its financial reporting to period 7, with the projected overspend reducing to £1.4 million at period 9. The audited accounts at the year-end disclosed a surplus of £1.8 million on the provision of services for the year. When added to the amount carried forward, the total reserves balance at the year-end is £5.8 million.

Exhibit 3

Financial Monitoring reports showing projected outturn for (over)/underspends

| | Year end forecast £m | Position as a percentage of net expenditure |
|----------------------------------|-------------------------|---|
| January 2018 (period 7) | (2.2) | (1.5%) |
| March 2018 (period 9) | (1.4) | (0.9%) |
| Accounts as at March 2017 | 1.8 | 1.3% |

Source: IJB Financial Monitoring Reports

29. The variance between the projected year end results and outturn is due to underspends in social care and lower than anticipated spend on earmarked reserves. Inverclyde Council provides revenue and capital budget projections for social care services and the Chief Financial Officer uses this information to prepare financial monitoring reports for the Board. There are delays in this information being available. This means that reports to the Board in March only contain expenditure for period 9 (up to December) and these did not identify an overall underspend.
30. The Board does not have the opportunity to scrutinise a recent financial position and were unaware that a turnaround had been delivered until the unaudited accounts were presented in June 2018. This delay could prevent identification and mitigation of a future overspend position. The timeliness of budget reporting should be improved to support action being taken to mitigate any future year-end position.

[Action Plan \(Appendix 1, point 1\)](#)

Systems of internal control

31. Inverclyde IJB does not have any financial systems of its own, instead it relies on the financial systems of the host bodies to record all transactions.
32. As part of our audit approach we sought assurances from the external auditors of NHS Greater Glasgow and Clyde and Inverclyde Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control.

Financial performance in 2017/18

33. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. 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.

34. [Exhibit 4](#) details the IJB's performance against budget during 2017/18. In its approved budget in September 2017, the IJB planned to use most of the £4.0 million reserves balance carried forward from 2016/17. At period 9, this forecast had been revised as detailed at paragraph 28, and net additional funding of £1.5million had been provided by the NHS. The IJB underspent on core social care services and on spends from earmarked reserves. The in-year underspend of £1.8 million when added to the balance carried forward from 2016/17 provides the IJB with accumulated reserves of £5.8 million. All of these reserves are earmarked for specific purposes.

Exhibit 4

Performance against budget

| IJB budget objective summary | Approved Budget £m | Revised Budget (period 9) £m | Actual £m | Variance £m |
|---|-----------------------|------------------------------------|------------------|----------------|
| Health Board funding | 80.055 | 81.603 | 83.129 | 1.526 |
| Council funding | 47.380 | 47.043 | 47.043 | 0 |
| Set aside funding | 16.439 | 16.439 | 16.439 | 0 |
| Net funding | 143.874 | 145.085 | 146.611 | 1.526 |
| Health net expenditure | (80.055) | (81.603) | (83.129) | (1.526) |
| Social care net expenditure | (47.380) | (47.043) | (45.485) | 1.558 |
| Set aside expenditure | (16.439) | (16.439) | (16.439) | 0 |
| Net expenditure | (143.874) | (145.085) | (145.053) | 0.032 |
| Movement on earmarked reserves (decrease) / increase | (3.754) | (1.426) | 0.278 | 1.704 |
| (Deficit)/Surplus | (3.754) | (1.426) | 1.836 | 3.262 |

Source: Inverclyde IJB Annual Accounts 2017-18/ IJB Financial Monitoring Reports

Efficiency savings

35. In 2017/18 the IJB set a budget based on the planned use of reserves and expected efficiency savings of £0.4 million. The IJB achieved the efficiencies during the year and reported the position in the period 9 budget monitoring report presented to the Board in March 2018.
36. Savings targets have been set for 2018/19 and 2019/20 with efficiency savings plans being developed to deliver them. We will review progress in identifying and delivering on further efficiency savings required.

Financial planning

37. The IJB allocates the resources it receives from the health board and council in line with the Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2017/18 budget provided for the IJB.

- 38.** In March 2018 the Board approved a medium term financial strategy covering the three-year period 2018/19 to 2020/21. The financial projections in this strategy forecast a balanced budget in 2018/19, and funding gaps of £2.7 million in 2019/20 and £5.5 million in 2020/21. The IJB acknowledges the need to develop plans over the medium term to bridge the identified financial gap, and is considering efficiency savings, service redesign/transformational change and service reduction.
- 39.** We acknowledge the improvements made by the IJB in developing a medium term financial plan and our previous recommendation was that such plans should support a long term financial strategy (5 years +). This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary.

[Action Plan \(Appendix 1, point 2\)](#)

Reserves strategy

- 40.** The Board approved its reserves strategy in May 2016. The strategy allows the Board to
- hold a working balance to help cushion the impact of uneven cash flows
 - hold a contingency balance to cushion the impact of unexpected events or emergencies
 - use unused balances to build up funds, or earmarked reserves, to meet known or predicted liabilities
 - maintain a balance of between 2 and 4% of revenue expenditure
- 41.** The current level of reserves is in line with the strategy, at £5.8m and 4% of revenue expenditure. The reserves balance is currently earmarked for future expenditure across a number of specific projects. This includes £1.5 million in a transformation fund and £1.9 million of 'smoothing' reserves to cover cost fluctuations in more volatile areas of service such as adoption and fostering, prescribing, and residential and nursing placements. There is, however, no general provision for contingency.
- 42.** The reserves strategy as agreed by the Board, is considered appropriate. However, without an uncommitted or contingency element, the Board may not be able to meet unexpected events or emergencies without impacting on planned service delivery.

[Action Plan \(Appendix 1, point 3\)](#)

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.

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.



The annual performance report covers all expected areas and highlights how achievements align to the IJB's five Strategic Commissioning themes. It also supports the IJB in demonstrating Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality of service provision.

Governance arrangements

43. 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. The Board has 20 members and is comprised of eight voting members; four elected members of Inverclyde Council and four non-executive members of NHS Greater Glasgow and Clyde as well as a number of professional members and stakeholder representatives.
44. Following a review of the adequacy and effectiveness of the Board's local governance arrangements, a number of action points were identified which will enhance local governance arrangements and ensure continual improvement of governance, including:
 - Introduction of self-assessment for IJB members
 - Specific training for IJB members around ethics, equalities and diversity and similar areas within the member training programme
 - Ensure risk registers are included in IJB reports and risk management is an embedded process within all strategic and financial planning
 - Development of an action plan to further strengthen strategic planning and governance arrangements during 2018/19.
45. The arrangements in place continue to support good governance and accountability.

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.

Transparency

46. Transparency means that the public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.
47. Full details of the meetings held by the IJB are available on Inverclyde Council's website; committee papers and minutes of meetings are publicly available; and members of the public are permitted to attend and observe meetings. Public notice of each meeting is given on the council's website.

48. Overall, we concluded that the IJB conducts its business in an open and transparent manner. Financial information disclosed in the management commentary is consistent with the both the financial statements and financial monitoring reports presented to the Board throughout the year. Improvements could be made, however, to financial monitoring reports as detailed at [paragraph 30](#).

Internal audit

49. The work of internal audit provides the IJB and the Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.
50. The IJB's internal audit function is carried out by the internal audit department of Inverclyde Council. During our planning stage, we carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
51. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we did not place any formal reliance on internal audit reviews, however we did consider their work throughout the year for any potential impact on our work. There were no issues identified by internal audit that have had an impact on our audit of the IJB's annual accounts.

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

52. In 2017/18 we reported on Inverclyde IJB's arrangements for the prevention and detection for fraud and bribery and concluded that they were effective.
53. The IJB uses the financial systems of Inverclyde Council and NHS Greater Glasgow and Clyde and so arrangements for the prevention and detection of fraud, bribery and corruption in respect of the financial systems is the responsibility of these organisations. The IJB does, however, have an awareness and is alerted of any such instances.
54. We are satisfied that the IJB has adequate arrangements in place for the prevention and detection of fraud, bribery and corruption, although it is acknowledged that no system can eliminate the risk of fraud entirely.

Value for money and performance management

55. Best Value duties apply to accountable officers across the public sector. Inverclyde IJB receives assurance that the services supporting the delivery of its strategic plan are securing Best Value through various forums including Board meetings; the audit committee; and relevant committee meetings at NHS Greater Glasgow and Clyde and Inverclyde Council.
56. The Board receives performance exception reports every six months. These reports highlight performance indicators that have been marked as red or amber and identify the corrective action that has been. These reports also correlate to the annual performance report.
57. The IJB's annual performance report 2017/18 was completed within the timescale required by The Public Bodies (Joint Working) (Scotland) Act 2014 and was presented to the Board in June 2018. This report assists the Board in demonstrating that the IJB is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.
58. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial

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

performance and best value, reporting on localities and an inspection of services, and a review of strategic commissioning plan.

- 59.** Inverclyde IJB's annual performance report covers these areas and aims to highlight throughout the report how achievements are aligned to its five Strategic Commissioning themes. These are:
- Employability and meaningful activity
 - Recovery and support to live independently
 - Early intervention, prevention and re-ablement
 - Support for families
 - Inclusion and empowerment
- 60.** These themes are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice.
- 61.** The annual performance report also provides a summary of the IJB's performance against the 23 national indicators for 2016/17 (the most recently available). It highlights that Inverclyde IJB is performing below the national average against four indicators. These include premature mortality rates; emergency admission rates; emergency bed day rates; and the percentage of health and care resource spent on hospital stays where the patient was admitted in an emergency. Performance was classed as close to the Scottish average in five of the indicators, with the IJB operating above average in 10. Four of the indicators are still under development.

National performance audit reports

- 62.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which are of direct interest to the Board as outlined in [Appendix 3](#).
- 63.** In Autumn 2018 we will publish our second national report looking at the integration of health and social care. Now that integration authorities are more established, this report will look at progress and follow up on the risks identified in our first report. The audit will also examine changes to the system, including evidence of shifts in service delivery from acute to community based and preventative services, and the impact on the lives of local people.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|--|--|--|
| 1 | <p>Provision of financial information by Council</p> <p>The final monitoring report presented to the Board in March 2018 (to period 9) forecast a planned in-year overspend of £1.4 million. The final position reported in the annual accounts discloses an underspend of £1.8 million,</p> <p>The timing of revenue and capital projections from the Council results in IJB financial monitoring reports being up to three months old when they are presented to the Board. At period 9 these reports did not yet forecast an underspend.</p> <p>Risk</p> <p>The Board does not have the opportunity to scrutinise a recent financial position. This delay could prevent identification and mitigation of a future overspend position.</p> | <p>The IJB should review its financial monitoring arrangements and work with partner organisations to ensure that timely information is available.</p> <p>Paragraph 30</p> | <p>Officers will work with Council and Health Board colleagues to ensure the most up to date information is presented to the IJB to address this going forward and to bring the timelines of financial reporting into better alignment.</p> <p>Chief Officer and Chief Financial Officer</p> <p>June 2019</p> |
| 2 | <p>Long term financial planning</p> <p>The IJB has not yet developed a long term financial strategy (5 years +). A three-year medium term financial plan has been implemented, but longer-term strategies are increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary.</p> <p>Risk</p> | <p>We recommend that a long term financial strategy (5 years +) is prepared. This should include scenario planning (best, worst, most likely).</p> <p>Paragraph 39</p> | <p>The financial strategy should tie in with the Strategic Plan which at present is a three-year plan. Officers are considering developing a longer term Strategic Plan and as part of this will work to develop a longer term financial plan.</p> <p>Chief Officer and Chief Financial Officer</p> <p>December 2019</p> |



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|---|---|
| | Future financial risks facing the IJB may not be clearly understood. | | |
| 3 | <p>Unallocated reserves</p> <p>The reserves balance is currently fully earmarked for specific future expenditure across a number of projects, with no general provision for contingency.</p> <p>Risk</p> <p>Without an uncommitted or contingency element in reserves, the Board may not be able to meet unexpected events or emergencies without impacting on planned service delivery or earmarked developments</p> | <p>The Board should consider creating an uncommitted reserves balance in line with its reserves strategy.</p> <p>Paragraph 42</p> | <p>The IJB Earmarked Reserves includes £1.461m of a Transformation Fund and £1.918m of smoothing reserves which are available to be used to cover unexpected events or emergencies in historically more volatile budget areas. It is not proposed that further funds are set aside for that at this time</p> <p>Chief Financial Officer</p> <p>Complete</p> |

Follow up of prior year recommendations

| | | | |
|-----|--|--|---|
| b/f | <p>Financial forecasts</p> <p>Budget reports provided to the Board in 2016/17 acknowledged that reserves were being created, while projecting a break-even position. The value of the reserves (£4.0 million) was not clarified until the year-end.</p> <p>While we recognise that year end projections are subject to error, the Board should be informed of the best estimate of financial position.</p> <p>Risk</p> <p>Board reports may not provide sufficient information to allow members to review financial performance and make informed decisions.</p> | <p>Financial reports should be revised to ensure they are accurately reflecting spending to date and the projected year end position.</p> | <p>Complete</p> <p>Financial monitoring reports were revised and now clearly highlighted the IJB's planned used of reserves for the financial year.</p> |
| b/f | <p>Medium to long term financial planning</p> <p>The Board has no financial plans in place beyond 2017/18.</p> <p>Risk</p> | <p>We recommend that a long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) is prepared. This is increasingly important as demand pressures increase, financial settlements continue</p> | <p>In progress</p> <p>In March 2018 a medium term financial strategy was developed covering the three-year period 2018/19 to 2020/21. A long term financial strategy has not yet been developed – refer to</p> |



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|------------|--|--|---|
| | In the absence of medium to long term financial planning the future financial risks facing the IJB may not be clearly understood. | to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely). | recommendation 2 in this action plan. |
| b/f | <p data-bbox="256 613 395 642">Best Value</p> <p data-bbox="256 663 619 904">The Board should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.</p> <p data-bbox="256 925 316 954">Risk</p> <p data-bbox="256 974 619 1055">Opportunities for improvement through Best Value review may be missed.</p> | The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework. | <p data-bbox="1054 613 1182 642">Complete</p> <p data-bbox="1054 663 1415 784">A report was provided in the audit working papers detailing the IJB's arrangements for securing Best Value.</p> <p data-bbox="1054 804 1415 1039">Various forums provide assurance that services supporting delivery of the strategic plan are securing Best Value, and performance reporting is a regular agenda item within IJB Board meetings.</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>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p> | <p>We reviewed significant accounting estimates and did not identify any issues.</p> <p>We reviewed the process, accuracy and completeness of consolidating the financial reports from the two host bodies and did not identify any issues.</p> <p>We obtained written assurances from the external auditors of Inverclyde Council and NHS Greater Glasgow and Clyde on the completeness, accuracy and allocation of the income and expenditure transactions of Inverclyde IJB. No issues were noted.</p> |
| Risks identified from the auditor's wider responsibility under the Code of Audit Practice | | |
| <p>2 Financial sustainability</p> <p>The IJB does not currently prepare medium to long term financial plans. There is consequently a risk that the IJB is not aware or adequately prepared for future challenges and financial constraints in the medium to long term.</p> | <p>The IJB is in the process of completing longer term financial plans. These are due to be presented to the Board in spring/summer 2018.</p> | <p>We reviewed Inverclyde IJB's medium term financial planning assumptions and note the scale of financial funding gap identified.</p> <p>We reviewed the medium term financial plan. As identified in Appendix 1, Recommendation 2, the IJB has not yet developed a long term financial plan.</p> |

Appendix 3

Summary of national performance reports 2017/18



2017/18
Reports

| | | | | |
|--|--|------|--|--------------------------|
| | | Apr | | |
| | | May | | |
| Common Agricultural Policy Futures programme: further update | | Jun | | Scotland's colleges 2017 |
| | | Jul | | NHS workforce planning |
| Self-directed support: 2017 progress report | | Aug | | |
| Equal pay in Scottish councils | | Sept | | |
| Transport Scotland's ferry services | | Oct | | NHS in Scotland 2017 |
| Local government in Scotland: Financial overview 2016/17 | | Nov | | |
| | | Dec | | |
| | | Jan | | |
| Early learning and childcare | | Feb | | |
| Managing the implementation of the Scotland Acts | | Mar | | |

Reports relevant to Integration Joint Boards

[Self-directed support: 2017 progress report](#) – August 2018

[NHS in Scotland 2017](#) – October 2018

Inverclyde Integration Joint Board

2017/18 Annual Audit Report

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