

Inverclyde Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Inverclyde Integration Joint Board and the Controller of Audit

10 September 2019

Who we are

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

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



About us

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

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

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

Contents

| | |
|--|----|
| Key messages | 4 |
| Introduction | 5 |
| Part 1 Audit of 2018/19 annual accounts | 7 |
| Part 2 Financial management and sustainability | 9 |
| Part 3 Governance, transparency and value for money | 12 |
| Appendix 1 Action plan 2018/19 | 16 |
| Appendix 2 Significant audit risks identified during planning | 18 |
| Appendix 3 Summary of national performance reports 2018/19 | 19 |

Key messages

2018/19 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are all unqualified.
- 2 The accounts include a significant estimate of set aside which is consistent across NHSGG&C area.

Financial management and sustainability

- 3 Budget agreement and financial monitoring reports to the Board are still not timely, though verbal updates now accompany Board reporting.
- 4 The IJB achieved a surplus of £1.5 million and now has cumulative reserves of £7.3 million. with £1.01 million in unearmarked reserves.
- 5 A medium-term financial plan is in place on a five-year rolling basis. The medium-term plan estimates a funding shortfall of £8.9m over the period 2020/21 to 2023/24.

Governance, transparency and value for money

- 6 A new Strategic Plan has been approved and the IJB has undertaken a self-evaluation review.
- 7 The IJB recognises difficulties with the set aside arrangements that is preventing reinvestment in community-based services, but is working with others to address this
- 8 Performance arrangements are effective, and performance is improving slightly overall.

Introduction

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

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

Adding value through the audit

3. We add value to the IJB, through audit, by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

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

Responsibilities and reporting

5. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

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

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

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

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

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

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

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £25,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

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

Part 1

Audit of 2018/19 annual accounts



Main judgements

Our audit opinions on the annual report and accounts are all unqualified.

The accounts include significant estimates for set aside and this is consistent across the NHS GG&C area.

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

14. Audit opinions on the annual accounts were unqualified.
15. The annual accounts for the year ended 31 March 2019 were approved by the IJB on 10 September 2019. We reported within the independent auditor's report that:
- the financial statements give a true and fair view and were properly prepared
 - the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

16. 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.

Annual accounts were submitted on time and the audit was well-supported

17. We received the unaudited annual accounts on 24 June 2019 in line with our agreed audit timetable. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

We identified and addressed risks of material misstatement

18. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

Our materiality values were unchanged from our plans

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

20. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.
21. On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 2 Materiality values

| Materiality level | Amount |
|-------------------------|---------------|
| Overall materiality | £1.5 million |
| Performance materiality | £0.75 million |
| Reporting threshold | £50,000 |

Source: Audit Scotland, 2018/19 Annual Audit Plan

Set aside is based on significant estimates by a partner organisation

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.
23. The annual accounts include significant accounting estimates for the amount set aside. The set aside amount in 2018/19 is £16.4 million and the full cost of services hosted by Inverclyde is £8.6 million. We received assurance from the auditor of NHS Greater Glasgow & Clyde that the estimation basis used for set aside in 2018/19 was appropriate.



Recommendation 1

We expect that further progress is made to determine set aside costs in 2019/20.

There were no misstatements requiring adjustment

24. There were no material adjustments to the unaudited annual accounts arising from our audit.

Reasonable progress has been made with prior year recommendations

25. Two of the three recommendations are now complete, and one partially complete. For the action not fully implemented, a revised response and has been agreed with management, and is set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

Financial monitoring reports are out of date when considered by the Board, but a verbal update is given at each meeting



An agreed budget for 2018/19 was not in place till June 2018. The agreed budget was in line with the indicative budget agreed in March 2018.

The IJB achieved a surplus of £1.5 million and now has cumulative reserves of £7.3 million, with £1.01 million in unearmarked reserves.

Planned savings were delivered

A medium-term financial plan is in place on a five-year rolling basis. The medium-term plan estimates a funding shortfall of £8.9m over the period 2020/21 to 2023/24.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning.

Written reports on financial management are out of date by the time they are reported to the IJB

- 26.** The Chief Financial Officer (CFO) of the IJB regularly reports to the IJB and the Audit Committee. In 2017/18, we reported that the Board does not have the opportunity to scrutinise an up-to-date financial position, due to delays in reporting. Timelines for committee paper submission in the partner organisations mean that finance reports often don't reflect the current position by the time they come to the IJB. Four financial monitoring reports were taken to the IJB in 2018/19. The first of these covered the period to July 2018 and was presented in September 2018.
- 27.** This issue is now mitigated by the CFO verbally reporting any significant changes to financial forecasts that have occurred since the date of the report, at each meeting from the October report onwards.

The 2018/19 budget was approved in June 2018 and included planned use of reserves

- 28.** The 2018/19 budget was not approved until June 2018 due to funding from NHSGG&C not being confirmed until May. The IJB identified savings of £2.2 million and planned to use £2.0 million of its reserves. This was in line with the indicative budget agreed in March 2018.

A surplus of £1.5 million (1%) was achieved in 2018/19

- 29.** As detailed in Exhibit 3, the IJB had a forecast deficit, which reduced to £0.9 million at period 9. The audited accounts at the year-end disclosed a surplus of £1.5 million on the provision of services for the year. This is after net additional

funding of £1.6 million had been provided by the Council. This additional funding had been agreed as part of the 2018/19 budget but was not transferred until the year end. It mostly relates to pay awards (£0.8 million), re-determination and anti-poverty funding (£0.2 million) and Children and Families, and Mental Health Development Services transfer (£0.5 million).

Exhibit 3

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

| | Year end forecast £m | Position as a percentage of net expenditure |
|--|-------------------------|---|
| January 2019 (period 7 – October 2018) | (2.2) | (1.4%) |
| March 2019 (period 9 – December 2018) | (0.9) | (0.6%) |
| Accounts as at March 2019 | 1.5 | 1.0% |

Source: IJB Financial Monitoring Reports

30. The accounts surplus of £1.5 million when added to the balance carried forward from 2017/18 provides the IJB with accumulated reserves of £7.3 million.

Efficiency savings were achieved in 2018/19

31. In 2018/19 the IJB set a budget based on the planned use of reserves and expected efficiency savings of £2.2 million. The IJB achieved the efficiencies during the year and reported the position throughout the year via budget monitoring reports presented to the Board. The IJB has a history of achieving identified savings.

32. A savings target of £1.6 million has been set for 2019/20 (split £1.4 million Social Care and £0.2 million Health) with efficiency savings plans developed to deliver them.

The host bodies have sound systems of internal control

33. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and CFO. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounts. Satisfactory arrangements are in place to identify this income and expenditure and report this to the IJB.

34. As part of our audit approach we sought assurances from the external auditor of NHS Greater Glasgow and Clyde and Inverclyde Council (in accordance with ISA 402) and confirmed there were no significant weaknesses in the systems of internal controls for both the health board and the Council.

Internal audit arrangements are effective

35. 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.

36. 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.

37. In 2018/19 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.

The host bodies have sound arrangements for the prevention and detection of fraud and error

38. The IJB uses the financial systems of Inverclyde Council and NHS Greater Glasgow and Clyde (NHSGGC) 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.
39. We have received assurances from the auditors of NHSGGC and Inverclyde Council (in accordance with ISA 402) that there are no issues of concern.

The IJB has developed a medium-term financial plan on a five-year rolling basis

40. The IJB approved its first medium term financial plan in March 2018. An updated Financial Plan 2019/20 to 2023/24 agreed by the Board in March 2019 aligns to the new five-year Strategic Plan for the same period.
41. A detailed analysis of costs and demands was undertaken. In addition, scenario planning looking at a range of options around each assumption to establish best case, worst case and probable outcomes. For each element the most probable scenario, based on information currently available has been used. Taking into account costs, demands and estimated changes to funding using the five-year outlook for the Scottish budget, the Financial Plan estimates a funding shortfall of £8.9m over the period 2020/21 to 2023/24.
42. A number of service reviews and redesigns are already ongoing with others due to commence. These include Long Term Care Placements, Learning Disabilities and Mental Health.

A reserves strategy is in place and the IJB has an unearmarked reserve

43. The IJB approved its reserves strategy in May 2016. The current level of reserves is £7.3 million, and this includes £1.01 million (0.75% of net expenditure) in unearmarked reserves, to meet unforeseen contingencies.
44. Total earmarked reserves include a balance of £1.046 million for budget smoothing which we understand will be used as required over the life of the medium-term financial plan. We will continue to monitor this.

Part 3

Governance, transparency and value for money



Main judgements

A new Strategic Plan has been approved and the IJB has undertaken a self-evaluation review.



The IJB recognises difficulties with the set aside arrangements that is preventing reinvestment in community-based services, but is working with others to address this

Performance arrangements are effective, and performance is improving slightly overall.

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. Value for money is concerned with using resources effectively and continually improving services

Governance arrangements are appropriate

45. The Integration Scheme sets out the governance arrangements for membership of the IJB. The IJB has 20 members and is comprised of eight voting members; four elected members of Inverclyde Council and four non-executive members of NHSGG&C as well as a number of professional members and stakeholder representatives.
46. In 2017/18, we reported that following a review of the adequacy and effectiveness of the IJB's local governance arrangements, a number of action points were identified. These included the introduction of self-assessment for IJB members and specific training for IJB members around ethics, equalities and diversity and similar areas within the member training programme. In March 2019, a further programme of development sessions for the IJB were agreed including, Strategic Planning, Leadership and Addiction.
47. The IJB is supported by an Audit Committee. Our observations at committee meetings throughout the year has found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

The IJB conducts its business openly and transparently

48. 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.
49. Financial information disclosed in the management commentary is consistent with both the financial statements and financial monitoring reports presented to the IJB throughout the year. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

A new Strategic Plan has been approved

- 50.** In March 2019, the Inverclyde HSCP Strategic Plan 2019-2024 was approved by the Board which aims to provide more targeted commitments, specifically aimed at improving lives and tackling inequalities.
- 51.** The Plan contains six 'Big Actions' which will contribute to the delivery of the national wellbeing outcomes. The Strategic Plan records that development of the Big Actions is an ongoing process and progress will be reviewed and reported through regular updates to and by the SPG, and 6-monthly reports to the IJB. Each action has a more detailed implementation plan, with measures which will be monitored and reported to the SPG.

The IJB has undertaken a self-evaluation based on recommendations in the Strategic Group for Health and Community Care report

- 52.** In November 2018, Audit Scotland published its review of Health and Social Care Integration in Scotland. That review was considered by the Ministerial Strategic Group (MSG) for Health and Community Care which developed a number of specific proposals in light of the Audit Scotland recommendations. The MSG also requested that each Health Board, Local Authority and Integration Joint Board should undertake a self-evaluation of their progress in relation to those proposals.
- 53.** Inverclyde IJB's self-evaluation rated 19 of the 22 local proposals as 'Established' with the remaining 3 classed as 'Partly Established'. The 3 proposals classed as 'Partly Established' were:
- Delegated budgets for IJBs must be agreed timeously
 - Delegated hospital budgets and set aside budget requirements must be fully implemented
 - Improved capacity for strategic commissioning of delegated hospital services must be in place

Reinvestment in community services depends on addressing the set aside issue to reflect reductions in hospital care

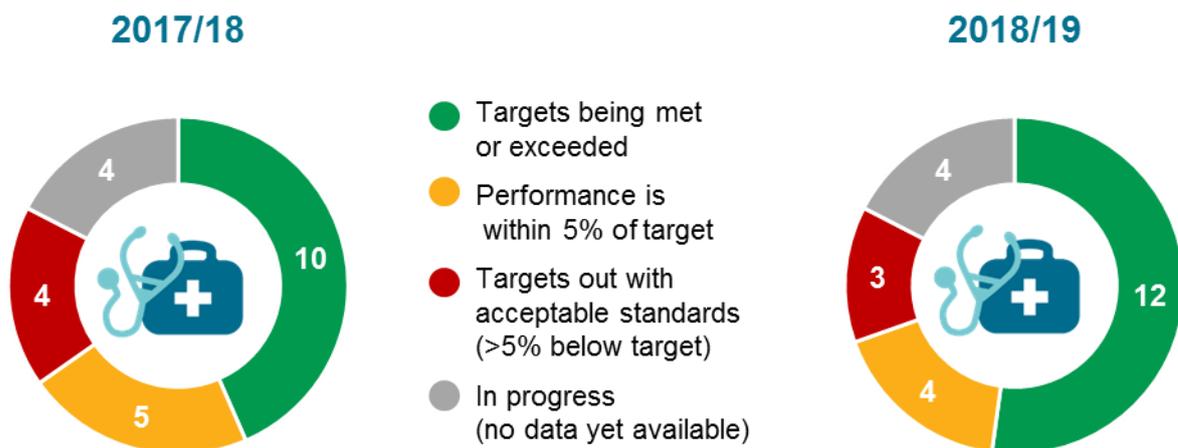
- 54.** When the six Greater Glasgow and Clyde Health Board Integration Joint Boards were created in April 2016, each Partnership was given a notional Set Aside budget for unscheduled care within Acute Services, based on 3-year historical usage
- 55.** The February 2019 Ministerial Strategic Group's review of progress of integration recommended that delegated hospital budgets and set aside requirements must be fully implemented in 2019/20. The Scottish Government Medium Term Financial Framework includes an assumption of efficiencies from hospital care and 50% reinvestment in the community.
- 56.** Several meetings have taken place between the NHSGGC Finance Team, the IJB CFOs and planning representatives together with Scottish Government and ISD to move this forward. Full datasets are in the process of being agreed which will be used to calculate the baseline sums for set aside to identify an appropriate tariff. Once agreed, a methodology for quantifying the resource release from set aside budgets linked to projected changes in bed capacity will require to be developed.
- 57.** A report by the Chief Officer to the Board in January 2019 set out that latest activity figures show that Inverclyde's unscheduled care (Set Aside) usage is decreasing and this is expected to continue as the impact of Inverclyde IJB's

Primary Care work and other local measures continue to have a positive impact on shifting the balance of care. The report concluded that it is therefore vital that a resource transfer model is agreed to ensure that the funding adjusts towards community services. Discussions with Health colleagues will continue to move toward delivering this in by 31 March 2020.

Performance arrangements are effective, and performance is improving slightly

58. The IJB 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.
59. The HSCP's performance against the 23 National Core Integration Indicators, as reported in the 2018/19 Annual Performance Report is based on the most up-to-date position at the end of March 2019 (where data is available) and is summarised in Exhibit 8.

Exhibit 8 Overall performance against National core integration standards



Source: Inverclyde HSCP Annual Performance Reports

60. Inverclyde HSCP's performance against the standards has improved but it continues to face a number of challenges in delivering performance targets. Exhibit 8 above shows 3 targets (39%) categorised as red and outwith target. These are:

- Emergency admission rate (per 100,000 population)
- Emergency bed day rate (per 100,000 population)
- Premature mortality rate per 100,000 persons

61. Work is ongoing by the HSCP to reduce numbers of A&E attendances by expanding the "Choose the Right Service" programme to the emergency department and the wider acute setting. The 2019-24 Strategic Plan also contains a commitment to increase hospital care planning, and so reduce emergency admissions and hospital stays.

- 62.** The premature mortality rate per 100,000 persons for Inverclyde in 2017 (latest data available) was 567 against the Scottish average of 425. The Annual Performance Report acknowledges that the causes of premature mortality are many, and are underpinned by social, health and economic inequalities. Reducing these inequalities is included as one of the six 'Big Actions' included in the 2019-24 Strategic Plan.
- 63.** The Annual Performance Report highlights that bed days lost to delayed discharge is an area where Inverclyde has continued to show significant gains in performance and for 2017/18 was the lowest in Scotland.

The IJBs performance assessment highlights areas of good practice

- 64.** The June 2018 review by the Strategic Planning Group (SPG) highlighted a number of areas where they consider Inverclyde's performance to be excellent. In particular:
- The October 2017 Care Inspectorate report 'Services for children and young people in Inverclyde' rated the service as 'Excellent' in relation to the participation of children, young people, families and other stakeholders and 'Very Good' for five of the other eight indicators.
 - Inverclyde HSCP currently funds a part-time post of Independent sector development worker to enhance relationships between the HSCP and independent sector care providers. The HSCP also funds a Partnership Facilitator post to support connections between the HSCP and other third sector organisations.
 - The Home First approach has contributed to a reduction in long term care placements, the average length of stay in care homes and a reduction in delayed discharges. This work has been underpinned by "Ten Actions to Transform Discharge Approach".
 - "Compassionate Inverclyde" is a multi-agency, community wide initiative which encourages the community to accept that responsibility for the health of its citizens cannot be left solely to health and social care services.

EU Withdrawal

- 65.** As the IJB does not directly incur expenditure or employ its own staff, it is heavily dependent on the preparations of NHSGGC and Inverclyde Council to mitigate the risks associated with EU withdrawal. The IJB is fully participating in the resilience arrangements of the health board and the council.
- 66.** We have taken assurance from the conclusions reported by the external auditors of NHSGGC and Inverclyde Council that both bodies are making reasonable preparations for EU withdrawal. On this basis, we have no specific risks to highlight.

National performance audit reports

- 67.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of direct interest to the board as outlined in [Appendix 3](#).
- 68.** A number of Audit Scotland reports were presented and discussed at Board meetings during the year. These included the Audit Scotland's 2018 reports "What is Integration?", "NHS in Scotland" and "Health & Social Care Integration: Update on Progress".

Appendix 1

Action plan 2018/19



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|--|--|
| 1 | <p>Set aside</p> <p>Arrangements for the sum set aside for hospital acute services are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure for the sum set aside in 2018/19 was agreed with NHSGGC.</p> <p>Risk</p> <p>In future years the sum set aside included in the annual accounts will not reflect actual costs.</p> | <p>Full datasets are in the process of being agreed which will be used to calculate baseline sums for set aside to identify an appropriate tariff. The Scottish Government in their Guidance on Financial Planning for Large Hospital Services and Hosted Services, recommended that this approach should also be used for hosted services</p> <p>The work ongoing by the NHSGGC Set Aside Group should continue to implement the set aside arrangements to move to actual costs and activity for 2019/20 per Scottish Government expectations and determine consumption of hosted services.</p> | <p>Work is ongoing across GG&C and Scotland wide around Set Aside services and the development of commissioning plans and agreed methodologies for transferring Set Aside from a notional to actual basis. This work is being led by the Unscheduled Care Programme Board and should hopefully conclude by the end of 2020/21. The Chief Officer, Head of Strategy and Support Services and Chief Financial Officer are all involved in this process.</p> <p>The Chief Officer will ensure that Inverclyde continues to take an active role in this GG&C wide piece of work</p> <p>Chief Officer</p> <p>31/03/2021</p> |

Follow up of prior year recommendations

| | | | |
|-----|---|--|---|
| b/f | <p>Provision of financial information by Council</p> | <p>The IJB should review its financial monitoring arrangements and work with partner organisations to ensure that timely information is available.</p> | <p>Partially complete - remaining elements not accepted</p> <p>The IJB considers this Complete. During 2018/19 a new process was introduced to ensure that the IJB had the most up to date financial information available for each meeting. Month end timelines and Committee Services publication schedules mean that there is always an unavoidable lag in written reporting to both the Council and the IJB. To address this for financial monitoring a verbal update was given at the January and March IJBs on</p> |
|-----|---|--|---|

any significant variances since the current monitoring report was written. At the January IJB the update reflected the December 2018 position at the March IJB an update was given based on Feb 2019 information.

| | | | |
|-----|-------------------------------------|---|---|
| b/f | Long term financial planning | We recommend that a long-term financial strategy (5 years +) is prepared. This should include scenario planning (best, worst, most likely). | <p>Complete</p> <p>An updated Financial Plan 2019/20 to 2023/24 agreed by the Board in March 2019 aligns to the new 5-year Strategic Plan for the same period. The 5-year Financial Plan will be maintained on a rolling basis. The IJB consider that due to uncertainties around funding it is currently difficult to plan realistically beyond that timeframe.</p> |
| b/f | Unallocated reserves | The Board should consider creating an uncommitted reserves balance in line with its reserve strategy. | <p>Complete</p> <p>The current level of reserves is £7.3m and this includes £1.01 million (0.75% of net expenditure) in unearmarked reserves, to meet unforeseen contingencies.</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 report and 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 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 to change the position disclosed in the financial statements.</p> | <ul style="list-style-type: none"> • Obtain assurances from the auditors of Inverclyde Council and NHSGGC over the completeness, accuracy and allocation of the income and expenditure. • Complete detailed testing of significant adjustments at year end. • Agree balances and transactions to Inverclyde Council and NHSGGC financial reports / correspondence. | <p>Results: We obtained relevant assurances from the auditors of Inverclyde Council and NHS GGC. We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p> |

Appendix 3

Summary of national performance reports 2018/19

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

Reports relevant to Integration Joint Boards

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

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

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

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

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

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

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

Inverclyde IJB

2018/19 Annual Audit Report

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

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk