

Inverclyde Council

2019/20 Annual Audit Report



 AUDIT SCOTLAND

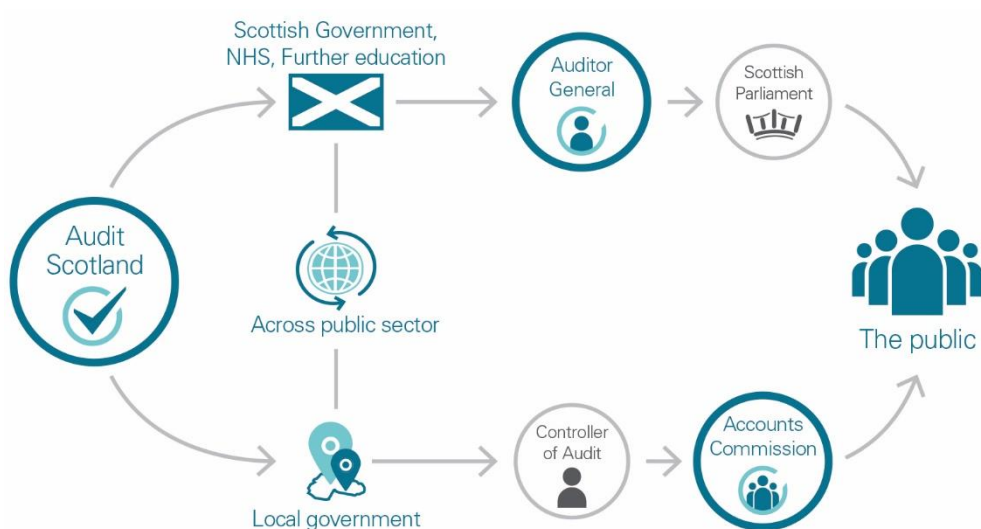
Prepared for the Members of Inverclyde Council and the Controller of Audit

29 October 2020

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

2019/20 annual accounts

- 1** Our audit opinions on the annual accounts of the Council and its group are unmodified.
- 2** An 'emphasis of matter' paragraph is included in the independent auditors' report to draw attention to the material uncertainty caused by the COVID-19 pandemic in the Council and its group.
- 3** The Council's pension liability has decreased by £3.7 million in the audited accounts. This reflects a more accurate assessment of the pension liabilities arising from the McCloud case.

Financial management and sustainability

- 4** Financial monitoring arrangements are good. The Council achieved an underspend of £3.2 million in 2019/20.
- 5** The level of General Fund reserves has increased by £3.2 million in 2019/20 to £38 million and this is relatively high.
- 6** Covid-19 had limited impact on the council's capital programme in 2019/20, but the impact on timing and costs of projects in 2020/21 is significant.
- 7** The net financial impact of the Covid-19 pandemic for 2020/21 has been assessed and could be £5.8 million. The Council has set aside reserves to fund this if necessary. The Council has good financial plans and is planning to present a two-year budget next year.

Governance, transparency and Best Value

- 8** Overall governance arrangements are appropriate but have been impacted by the Covid-19 pandemic.
- 9** The council reports good progress in meeting the improvement actions in its Best Value Improvement Plan, although there are delays in the City Deal projects.
- 10** The Local Development Plan was successfully challenged in the courts and will present operational planning issues for some time.
- 11** The Council continues to perform well against its own assessment and in comparison to other councils.

Introduction

1. This report summarises the findings arising from the 2019/20 audit of Inverclyde Council (the council) and its group. The scope of the audit was set out in our 2019/20 Annual Audit Plan presented to the 25 February 2020 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the 2019/20 annual accounts of the council and its group including the issue of independent auditor's reports setting out our opinions
- a review of the council's key financial systems
- audit work covering the council's arrangements for securing best value relating to the agreed action plan from the 2017 Best Value Assurance Report, specifically looking at the progress on City Deal arrangements and measurement of impact on outcomes
- 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*

2. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the council has had to respond to the global coronavirus pandemic.

3. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland is responding](#), setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

Adding value through the audit

4. We add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- reporting our findings and conclusions in public and sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides.

5. We aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The council 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 council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the effectiveness of the council's performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability and best value. 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.

8. 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.

9. 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 progress on outstanding actions from last year.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2019/20 audit fee of £253,060 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Our audit opinions on the annual accounts of the Council and its group are unmodified

An 'emphasis of matter' paragraph is included in the independent auditor's report to draw attention to the material uncertainty caused by the Covid-19 pandemic in the Council and its group.

An adjustment of £3.7 million has been made in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy to the issues identified by the McCloud case

Covid-19 restrictions impacted on the audit and delayed reporting to the Council

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

Our audit opinions on the annual accounts are unmodified

12. The annual accounts for the council and its group for the year ended 31 March 2020 were approved by Inverclyde Council on 29 October 2020. We reported, within the independent auditor's report that the;

- financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The Council identifies uncertainty in property valuations due to COVID-19

13. The "Emphasis of Matter" section in our Independent Auditor's Report refers to the disclosures in note 37 of the financial statements, which identify a material valuation uncertainty in respect of property valuations caused by the Covid-19 pandemic. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw user's attention to matters which are fundamental to the understanding of the financial statements. Further information is contained in [Exhibit 3](#) below. The audit opinion is not modified in respect of this matter.

Covid-19 impacted on the audit of the annual accounts

14. In March 2020, in response to the global Covid-19 pandemic, Scotland went into lockdown. Since then Audit Scotland and a large proportion of Inverclyde Council's finance staff have been working from home and we have therefore had to adapt our 'normal' audit approach and work together to develop new ways to audit remotely.

15. The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local authority to determine its own revised timetable for the annual accounts. Inverclyde Council published the unaudited accounts on 30 June 2020 in accordance with the original timescale.

16. Throughout the audit process there has been on-going discussions with council staff and their support enabled the audit to proceed, however the limitations of remote working did impact on our audit timetable and the audit took longer.

17. A special Council meeting was arranged for 29 October 2020 to approve the audited accounts for signing.

18. The working papers provided to support the unaudited accounts were of a good standard, however as we were unable to access council systems directly, we often had to rely more on council staff to obtain and present audit evidence. This was at a time when council staff were dealing with the significant additional pressures from Covid-19.

No objections were received on the annual accounts

19. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations and there were no objections to the 2019/20 annual accounts.

Whole of Government Accounts

20. In accordance with the WGA guidance we intend to complete the required assurance statement and submit it to the National Audit Office by the extended deadline of 4 December 2020.

Our overall materiality was £3.3 million

21. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 2](#)

Exhibit 2 Materiality values

Materiality level	
Overall materiality	£3.3 million
Performance materiality	£1.7 million
Reporting threshold	£100 thousand

Source: Audit Scotland

Audit work addressed the main risks of material misstatement

22. Our Annual Audit Plan detailed the risks of material misstatement identified for the annual accounts of Inverclyde Council and its group. We also highlighted any wider dimension audit risks identified. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of

the audit team were directed. These risks, the work we undertook to address them and our conclusions from this work are detailed in [Appendix 2](#).

We have a number of significant findings to report from the audit

23. 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. The significant findings from the audit of the annual report and accounts are summarised in [Exhibit 3](#).

Exhibit 3 Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Property valuations and Covid-19 uncertainty</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £496 million. The Council has a five-year rolling valuation programme as detailed in Note 7 to the accounts. The asset valuer has included a material uncertainty disclosure within the valuation report covering two properties with a combined asset value of £6.5 million.</p> <p>The auditor of Riverside Inverclyde has also included an 'emphasis of matter' paragraph in the independent auditor's report of that body due to the material uncertainty in the investment property valuations. Riverside Inverclyde forms part of the Council's group and is included in the group accounts.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. The extent and timing of the rolling programme of valuation work and the conclusions of the Riverside Inverclyde auditors have contributed to the view that less certainty can be attached to the valuation than would otherwise be the case.</p> <p>Conclusion: The accounts disclose this increased uncertainty at Note 37 of the financial statements, and we have included an 'emphasis of matter' paragraph in our independent auditors' report to draw attention to the matter.</p>
<p>2. Going concern of Inverclyde Leisure (Covid-19)</p> <p>At 29 October 2020, the auditor of Inverclyde Leisure has identified potential issues and has been unable to form an opinion on going concern due to the financial impact of the Covid-19 pandemic. Inverclyde Leisure provides services to the Council and is consolidated as an associate in the group accounts.</p> <p>The auditors of other group bodies also discussed potential going concern issues during the audit process with us, but ultimately concluded that they did not have to draw attention to them in their reports.</p>	<p>The consolidation of Inverclyde Leisure does not have a material impact on the group financial statements, but the body provides important services to the Council, which are covered by appropriate business continuity arrangements.</p> <p>Conclusion: The uncertainty is adequately disclosed in Note 30 – Combining Entities and we determined the matter did not require an 'emphasis of matter' paragraph in our independent auditor's report.</p>
<p>3. Pension scheme property valuations (Covid-19)</p> <p>The IAS19 report received from the actuary, Hymans Robertson, provided the year end pension information for Inverclyde Council. No additional uncertainty was identified in the IAS 19 report on the asset values. However, the unaudited accounts of Strathclyde Pension Fund include a Material Valuation Uncertainty note that covers the</p>	<p>We considered the basis of IAS 19 reporting and the extent of level 3 investments held by Strathclyde Pension Fund (these are the hardest to value as they are not frequently traded and are valued subjectively rather than by reference to market prices). We also considered the normal valuation uncertainty and the relative share of this risk borne by Inverclyde Council.</p>

valuation of the Fund's UK property portfolio, due to the unprecedented set of circumstances caused by the Covid-19 pandemic.

Conclusion: The uncertainty is disclosed in Note 37 – Assumptions made about the Future and Other Major Sources of Estimation Uncertainty to the accounts and we determined that the matter did not require an 'emphasis of matter' paragraph in our independent auditor's report.

4. Pension valuations – McCloud liability revision

In January 2017 an employment tribunal ruled that a group of claimant judges had been subject to age discrimination when they were transferred to a new career average scheme, known widely as the McCloud case.

On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.

Following this, Hymans Robertson (actuary) contacted the Council to advise them that the proposed remedy indicated that the estimated liability included in the IAS19 report for 2019/20 should be reduced, as the basis for determining who the remedy applied to was more onerous than the actuary's previous estimate.

The Council requested a revised valuation report from the actuary taking into account this adjustment.

Conclusion: The accounts now include the revised estimate for "McCloud".

5. Management commentary

The management commentary that accompanies the financial statements should explain in simple terms and provide clarity to readers in order to help them understand clearly how the council has performed. Although a number of improvements have been made for 2019/20, full compliance with the recommendations in the Local Government Overview (para 59 in 2019/20 report) has not been demonstrated in relation to performance against budget.

Management commentary will be reviewed as part of the 2020/21 accounts preparation.



Recommendation 1
(refer [appendix 1](#), action plan)

Source: Audit Scotland

All material adjustments have been made in the audited statements

24. There was one adjustment to the unaudited financial statements that was material (by value). This was due to the requirement to revise the pension liabilities for the impact of the McCloud judgement detailed in [Exhibit 3](#) above. In the case of the McCloud judgement we requested that the council obtain a revised IAS19 valuation from the actuary reflecting this judgement. We also encouraged group auditors to do the same for their audits. The total effect was identified in the revised IAS 19 report.

25. An adjustment of £1.1 million was also made due to the misclassification of capital grants unapplied in 2019/20. This input error is now correctly reflected in the annual accounts and no further amendment to our audit approach was necessary.

Prior year recommendations are being progressed

26. The Council has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management



Main judgements

Financial monitoring arrangements are good. The Council achieved an underspend of £3.2 million in 2019/20.

The level of General Fund reserves has increased by £3.2 million in 2019/20 to £38 million and this is relatively high

Covid-19 had limited impact on the council's capital programme in 2019/20, but the impact on timing and costs of projects in 2020/21 is significant.

Financial systems of internal control operated effectively but there are weaknesses in a few areas

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

The 2019/20 budget was £193 million and included a savings target of £2.3 million and contributions from reserves of £1 million

27. The 2019/20 budget was approved by the Council in March 2019. The budget was set at £193 million after closing an initial funding gap of £4 million through savings of £2.3 million, a previously agreed draw of £0.8 million on unearmarked reserves and a 4.79% council tax increase (£0.9 million). The approved proposals also resulted in a general increase of 3% in fees and charges, as well as a loss of 53 FTE posts. The Council also agreed to use a further £4 million of unearmarked reserves to support time-limited investment in policy areas.

28. In line with previous years, the council carried out a budget consultation on a range of savings and proposals to increase charges. In total, just over £1 million savings were agreed through this process as part of the council budget for 2019/20.

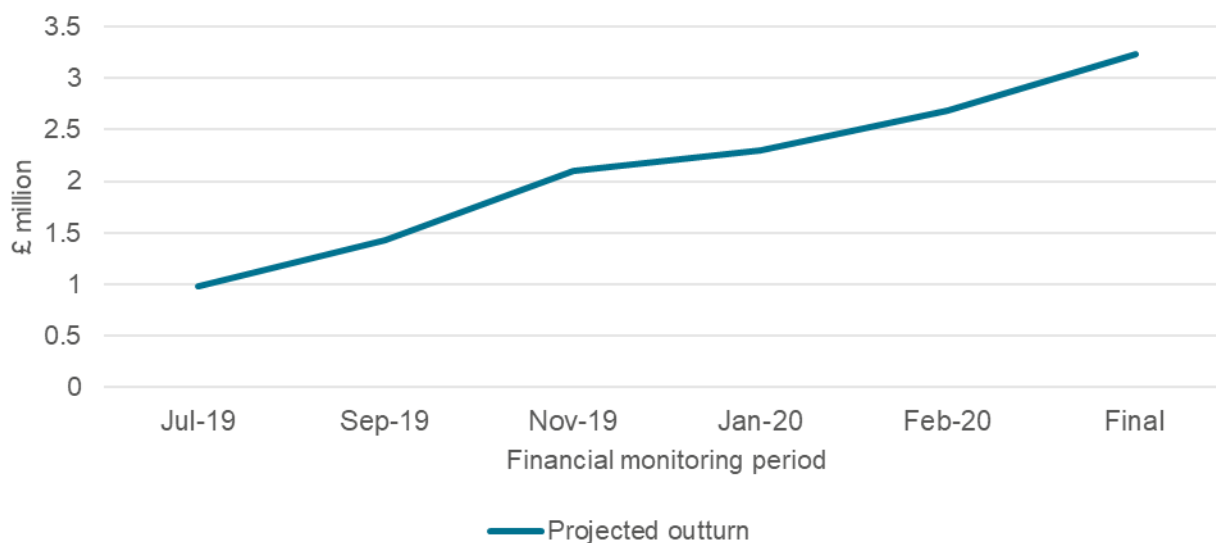
Financial monitoring arrangements are good

29. We reported in our 2019/20 management report that the council monitors the budget effectively. Reporting provides an accurate overall picture of the budget position at service level and includes good narrative explanations for significant variances against budget. Detail of how the year end outturn position developed throughout 2019/20 is included in [Exhibit 4](#).

Exhibit 4

Outturn reporting of the projected year-end surplus during 2019/20

The year-end underspend of £3.2 million developed gradually during the year



Source: Inverclyde Council Revenue Budget Monitoring Reports and 2019/20 Annual Accounts

The Council achieved an underspend of £3.2 million in 2019/20

30. The 2019/20 revenue outturn is an underspend of £3.2m (1.2% against revised £176.8 million budget). The main elements that contributed to this included:

- unrequired earmarked reserves (£0.4 million)
- staff turnover savings across services (£0.5 million),
- increased Council Tax income (£0.6 million).
- unused inflation contingencies (£1.1 million)

31. We reported in our 2019/20 management report that inflation contingencies had been set too high. As set out above, inflation contingencies of £1.1 million were not required again in 2019/20 and at paragraph 45, we outline that the 2020/21 budget includes an adjustment to reduce inflation contingencies by £1.5 million.

32. Only £84,000 of costs in 2019/20 related to Covid-19, the majority of costs relating to Covid-19 will be incurred in 2020/21.

Overall efficiencies of £1.8 million were achieved, 80 per cent of the overall savings target

33. Overall efficiency savings of £1.8 million were also achieved in 2019/20. This represents 80 per cent of the budgeted identified savings targets of £2.3 million.

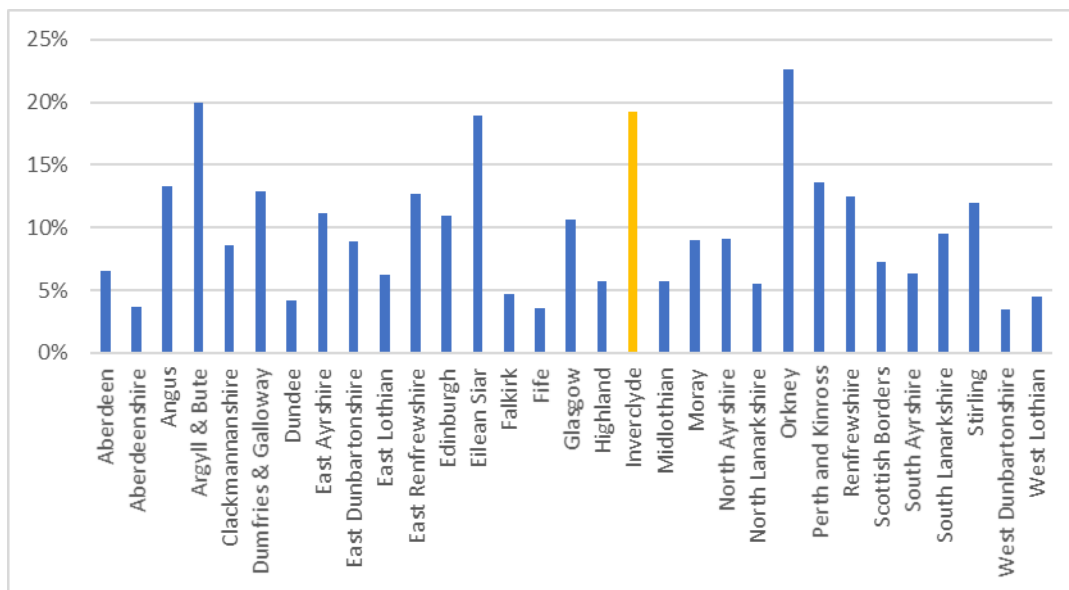
The General Fund reserve has increased by £3.2 million in 2019/20 to £38 million and this is relatively high

34. The general fund balance increased from £35 million at 31 March 2019 to £38 million at 31 March 2020. Earmarked reserves represent £33 million of this total, including a £3 million earmarked reserve to support future budget strategy. This leaves a balance of £5.3 million of unallocated reserves (2.76% of the Council's budgeted net annual running costs). We reported in our 2019/20 management

report that this is £1.5 million more than the council's recommended level of £3.8 million (2% of annual turnover based on the 2019-20 budget). Inverclyde Council continues to have significantly higher general fund balances compared to other councils, relative to its net annual revenue ([Exhibit 5](#)). The council's policy on balances will continue to be reviewed, as part of the budget setting each year, taking into account risks and challenges for the year ahead and the ongoing financial pressures presented by Covid-19 may impact on the reserves position going forward (paragraph 48).

Exhibit 5 General Fund as a proportion of net annual revenue

Inverclyde council has the 4th largest General Fund balance relative to its size



Shetland excluded from graph, due to scaling, as percentage is 140%
Source: Unaudited financial statements 2019/20

35. The Council uses an earmarked reserve called “revenue contribution to capital programme” to fund capital projects from retained revenue resource rather than undertaking new borrowing. This increased by £4.7 million in 2019/20 due mainly to an estimated £3.9 million reduction in capital grant to be funded from reserves.

36. The Council has also created earmarked reserves for “Climate Change” - £0.5 million, “2019/20 Early Years Funding” - £2 million, “Employability / Business Support” - £0.6 million and Resilience Insurance Claims - £0.8m.

Covid-19 had limited impact on the council's capital programme in 2019/20, but the impact on timing and costs of projects in 2020/21 is significant.

37. Capital spend in 2019/20 has been £25.8 million and there was net slippage of 13 per cent (£3.4 million) as the impact of the pandemic from late March 2020 meant that construction work effectively ceased: stopping work on existing projects and delaying the start of new projects. The largest element of capital expenditure for the year was the £7.8 million spent on building and refurbishing the school estate. Officers have reviewed the phasing of the 2020/23 Capital Programme in light of this, based on present estimates the slippage for 2020/21 is projected to be 47 per cent.

38. In addition to the impact on the timing of delivery of the Capital Programme there is likely to be significant cost increases resulting from the Covid-19 pandemic. Officers have reviewed estimated costs and the Policy & Resources

Committee on 11 August 2020 approved these revised projections for 2020/21. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the additional site working requirements, increases in the price of materials and general cost increases generated by Covid-19.

Internal loans fund repayments were reviewed in 2019/20

39. In accordance with Finance Circular 7/2016, the Council reviewed the periods over which some loans fund advances to services were being repaid internally. This has resulted in a £1.4 million one-off saving which was included in the 2019/20 budget and £0.4 million annual recurring savings from 2019/20 through to 2035/36. The accounts incorporate this change in accounting policy.

Financial systems of internal control operated effectively but there are weaknesses in a few areas

40. As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

41. Our findings were included in our management report which was presented to the Policy and Resources Executive Sub-Committee on 5 May 2020. We concluded that the key controls were operating satisfactorily however, several control weaknesses were identified covering the timely completion of bank reconciliations, authorisation of access privileges for new users of the CHRIS system and preparation of debt write-off reports.

42. In response to this, we increased our substantive testing of staff costs and concluded that there were no material errors in the financial statements. These identified weaknesses are being addressed by officers.



Recommendation 2

The council should ensure that robust controls are in place to address the weaknesses reported in May 2020 including payroll validation, system access and exception reporting

Part 3

Financial sustainability



Main judgements

The net financial impact of the Covid-19 pandemic for 2020/21 has been assessed and could be £5.8 million. Reserves have been set aside to meet this cost if it proves necessary

The Council has good financial plans and is planning to present a two-year budget next year and has identified an initial funding gap of £10.7 million over the two years.

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

The 2020/21 budget is based on achieving savings of £5.8 million and increases of 3 per cent in council tax and other fees

43. The 2020/21 budget was approved by the council in March 2020. The budget was set at £198 million after closing an initial funding gap of £6.7 million through agreed savings of £5.8 million and a 3% council tax increase (£0.9 million). The approved proposals have also included a further general increase of 3% in fees and charges, as well as the loss of 18.5 FTE posts.

44. The approved budget identifies an expected surplus of £0.5 million and together with further recommendations from the Members Budget Working Group (MBWG) for further savings of £276,000 led to a plan to create a £0.75 million fund to be reinvested in projects to reduce poverty and deprivation throughout Inverclyde.

45. In line with the recommendation included in our 2018/19 Annual Audit Report, the inflation contingency budget has been reduced by £1.0 million for pay inflation and £0.5 million for non-pay inflation.

The net financial impact of the Covid-19 pandemic for 2020/21 has been assessed as £5.8 million and could be met from reserves, if necessary

46. The financial implications arising from the Covid-19 pandemic are continuing to evolve with new costs emerging for the council and new funding streams from the UK and Scottish Governments being announced.

47. The council report the estimated gross cost of Covid-19 for 2020/21 as £20.5 million. This includes £6.1 million relating to the social care element of the IJB which the Council expects to be met by either Scottish Government funding or IJB reserves.

48. The Council estimates that after taking into account additional funding streams announced by the Scottish Government to date and the approved use of other Council budgets, the net estimated budget pressure for 2020/21 is £5.8 million. In

August 2020, the Policy and Resources Committee agreed that this would be met through use of the Surplus Contingency Reserve (£1.5 million), using existing funds to meet Capital Programme cost (£1.0 million) and write back of earmarked reserves (£3.3 million).

49. At 31 July 2020, the Council is projecting an underspend of £0.3 million for 2020/21 mainly due to underspends on non-pay and pay inflation contingencies and lower than expected requirement to use the 2020/21 Pressures Contingency.

The Council has good financial plans and will present a two-year budget next year with an initial funding gap of £10.7 million over the two years.

50. The [Best Value Assurance Report on Inverclyde Council](#) identified that the Council has a good process in place for financial planning. The Council's financial strategy covers the period 2020/21 to 2029/30. It is updated on a six-monthly basis and ensures that strategic initiatives that require long-term revenue and capital commitments are properly incorporated into the financial planning process. Such longer-term initiatives include the asset management strategy, school estates management plan and roads asset management plan.

51. Remaining significant budget pressures arising from the Covid-19 pandemic beyond 2020/21 will be factored into the multi-year Revenue Budget covering 2021/22 to 2022/23, the remaining term of the current council prior to local government elections. Potential budget pressure areas identified include increased cleaning capacity, ongoing support for Humanitarian Aid, ICT equipment and support for flexible/home working and increased support for key partners/providers. There are also investment pressures emerging from the Recovery Plans including Business Development, Employability, Digital Inclusion and Community Capacity building.

52. The latest financial strategy update was presented to the Policy and Resources Executive Sub-Committee in June 2020. The strategy provides detailed financial forecasts over the medium-term period 2021/22 to 2023/24 and identifies issues that will impact in the longer-term so that the Council can plan ahead. Covid-19 and its short and medium impacts appear throughout the document.

53. The Council estimates that the 2021//22 to 2022/23 funding gap (prior to any increase in council tax) is £10.7 million (£5.9 million in 2021/22 and £4.8 million in 2022/23). This is a mid-range estimate. Optimistic and pessimistic scenarios for the period 2021 to 2023 are £2.0 million and £18.6 million respectively.

54. A report by the Chief Financial Officer to the Policy and Resources Committee in September 2020 provided an update on the 2021-2023 Budget and advised the Committee that at this point in time there is more uncertainty around future financial settlements than at any point in recent years.

Part 4

Governance and transparency



Main Judgements

Overall governance arrangements are appropriate but have been impacted by the Covid-19 pandemic.

Review of the integration scheme has been delayed

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.

Overall governance arrangements are appropriate but have been impacted by the Covid-19 pandemic from March 2020

55. As part of our audit process we are continually assessing the governance arrangements within Inverclyde Council. Up until March 2020, our previous year's conclusion was still relevant: that appropriate governance arrangements are in place to support decision making.

56. The impact of Covid-19 from March 2020 on these arrangements has been set out in the Annual Governance Statement in the body's annual report and accounts. This was significant and allowed the body to manage the unprecedented nature and scale of the threat to its communities and staff.

57. The Policy and Resources Committee at its meeting on 24 March 2020 authorised the suspension of all Council, Committee and Sub-Committee meetings for the duration of the emergency and delegated full powers in the emergency to the council's six member, all party, Policy and Resources Executive Sub-Committee.

- The Policy and Resources Executive Sub-Committee met fortnightly considering essential council business, the Covid-19 decision log, financial impact, recovery strategy and scrutiny reports (standing item)
- Daily briefings were immediately implemented by the CMT to ensure that all Members of the Council had advance notice of any service impact decisions. All operational decisions were logged for committee update.

58. Committee meetings resumed remotely from August onwards. A revised timetable of meetings was agreed, and quasi-judicial tribunals of the Council recommenced from September 2020. These meetings are conducted online and in compliance with the relaxations prescribed through the various legislative responses to the emergency.

59. Covid-19 has exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. We recognise that audit committees have a crucial role to play in providing effective scrutiny and challenge as they help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this

global pandemic, the role of audit committees becomes even more important. We recently issued a [Guide for audit and risk committees](#) which draws on our recent experience of auditing public bodies during this pandemic.

60. Council services have been significantly affected and all staff were asked to work from home where possible. Restricted services operated in areas such as household waste, street cleaning and grounds maintenance although these services are largely operating as normal now.

The Council is open and transparent in the way it conducts its business

61. Prior to March 2020 members of the public were able to attend Council and other committee meetings as well as accessing agendas, papers and minutes on the Council's website. The move to remote committee meetings has restricted direct attendance however even during lockdown, the relevant papers were still available on the website to support transparency.

62. The Council's website also allows the public to access a wide range of information including current service updates and restrictions due to Covid-19, advice for individuals and businesses and how to contact the Council or make a complaint. The Council also makes the register of members' interests and the annual accounts available on the website.

Review of the integration scheme has been delayed

63. The Integration Joint Board together with councils and health boards have a statutory duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to review the Integration Scheme every five years. The current Integration Scheme in Inverclyde was due to be reviewed by March 2020.

64. A report by the Chief Officer to the Integration Joint Board in January 2020 provided a timeline for the review of Inverclyde's Integration Scheme. The report outlined that an initial draft of a revised integration scheme was prepared in January 2020

65. The timeline envisaged that a final version of the updated scheme would be submitted to the Council and Health Board for approval in April/May 2020, with formal submission to the Scottish Government by 1 July 2020. However, the Covid-19 pandemic led to the approval of the updated scheme being delayed and the existing Integration Scheme has been rolled forward into 2020/21. This matter has been set out in the Governance Statement in the Council's annual accounts.

National Fraud Initiative investigation is effective and extensive

66. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Our 2019/20 management report identified that coverage of matches is extensive (98%) in Inverclyde, compared to other audited bodies and we have proposed that the council might consider introducing a proportionate risk-based approach to future match investigation work. In response, the council has confirmed that it will consider introducing a proportionate, risk-based approach.

Arrangements for preventing fraud and corruption in the procurement function are appropriate

67. Instances of fraud and corruption can be particularly prevalent in the procurement function. We carried out an assessment of the arrangements in place at the council to prevent fraud and corruption in the procurement function. We concluded that there is not a significant risk in this area.

Part 5

Best Value



Main judgements

The council reports good progress in meeting the improvement actions in its Best Value Improvement Plan, although there are delays in the City Deal projects

The Local Development Plan was successfully challenged in the courts and will present operational planning issues for some time

The Council continues to perform well against its own assessment and in comparison to other councils

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

The council reports good progress in meeting the improvement actions in its BVAR

68. The [BVAR report for Inverclyde Council](#) was published in June 2017. This was a positive report overall. There were ten recommendations made in the report to support further improvement at the council.

69. At its meeting in June 2017, the council agreed the improvement actions within the BVAR and that a progress report will be submitted to the Policy and Resources Committee every six months.

70. In our [Annual Audit Report 2018/19](#), we identified that five of the ten recommendations had been completed with the remaining five actions still ongoing. The latest Progress Report submitted to the September 2020 Policy and Resources Committee records that one further recommendation is now recorded as complete, with two on-track and two actions experiencing slight slippage. Those recommendations reported as incomplete are identified in [Exhibit 6](#) below:

Exhibit 6 Progress against BVAR recommendations

BVAR Recommendation	Council assessment	Summary of progress
4. Actions to deliver strategic improvements should identify the difference they are expected to make to the overall strategic outcomes, with milestones at key intervals.	Green – on track	The Corporate Plan Annual Report was considered by the Policy and Resources Committee on 11 August 2020. The LOIP Annual Report 2019/20 has been approved by the Alliance Board and is published on the council's website.

		<p>The SPI/ KPI report containing the refreshed framework was considered and approved by the Policy and Resources Committee at its meeting in November 2019.</p> <p>The Audit Scotland Inverclyde Council Management Report 2019/20, published in April 2020 identified that the council's performance and reporting arrangements were good with clear links in place between corporate priorities, PIs, desired outcomes and accessible reporting.</p> <p>Good progress made – outlined in our 2019/20 Management Report</p>
<p>3. The council should develop more detailed workforce plans and longer-term forecasts of workforce numbers and skills required.</p>	<p>Blue - complete</p>	<p>Corporate and Service workforce planning activity is now embedded across the Council. This ensures service workforce challenges are identified and plans put in place to address these. The Council's People and Organisational Development Strategy 2020-2023 was agreed in February 2020 which promotes Corporate Workforce Planning and Development.</p> <p>Thorough review undertaken since 2017, underlined by the People and Organisational Development Strategy 2020-23</p> <p>Complete</p>
<p>9. The council has experienced delays in its City Deal projects. Councillors and officers should continue to focus significant efforts on developing these projects with private sector partners.</p>	<p>Amber – slight slippage</p>	<p>The design element at Inverkip has been delayed as a result of Covid-19.</p> <p>The pontoon works are complete. The main contractor for the terminal buildings however has gone into administration and a high-level options appraisal on potential solutions is being examined. Inchgreen - the District Valuer is negotiating with interested parties on the council's behalf. The joint venture with Peel Ports is being progressed.</p> <p>Limited progress made due to a number of individual issues. Now limited further by Covid-19.</p>
<p>1. To progress community empowerment to the level that the Act requires, the council will need to further develop the capacity of communities it is working with. It will need to raise awareness of the possibilities for communities and look at the level of funding and staffing required to work with communities to progress initiatives including the</p>	<p>Amber – slight slippage</p>	<p>All six Locality Action Plans have been developed and published on the Community Planning section of the council's website.</p> <p>A draft Food Growing Strategy has been developed and is available on the Community Planning pages of the council's website. The draft strategy explains how Inverclyde Council and the Community Planning Partnership</p>

transfer of assets and participatory budgeting.

will support community growing across Inverclyde.

Due to the impact of Covid-19 the locality planning model has been changed slightly and there has been delays establishing the Locality Planning Groups.

However, each of the Communications and Engagement groups are establishing their own closed Facebook sites to enable continued discussions and will have had at least one virtual meeting by 31 October 2020.

Reasonable progress has been made but is now delayed due to Covid-19.

8.Appointment of a lead change officer and the production of a detailed Business Plan for shared services

Green – on track

Inverclyde and West Dunbartonshire Councils now share a Head of Service across Roads, Waste, Fleet, Street cleaning and Ground Maintenance. A strategic manager is also shared in respect of Waste, Fleet Street cleaning and Ground Maintenance.

From 1 January 2020 West Dunbartonshire and Inverclyde Councils have shared a Chief Auditor. Business planning in potential management changes to complement this arrangement are being undertaken for consideration by both councils.

A strategy has been presented to the Joint Committee in terms of collaboration achievements and improved resilience to date. Further opportunities for collaboration are being explored.

Good progress made as evidenced. Service improvement initiatives are continuing.

Source: Inverclyde Council

City Deal projects have been delayed

71. During 2019/20, we reviewed the council's progress in meeting the BVAR recommendation relating to its City Deal projects. The findings from our review are noted below.

Greenock Ocean Terminal

72. The anticipated timescale for completion of the marine works was March 2020, with the terminal building anticipated to be completed by August 2020. The total budget for the project is £19.4 million and contributions from Clydeport Operation Ltd of £8m have been made towards the £12 million floating pontoon/dredging project, which is now complete.

73. At the time of Covid-19 'lock down' the floating pontoon aspect of the project was nearing completion and work was suspended for a time. On the Terminal, only initial preparatory works had taken place prior to the main contractor entering administration.

74. A high-level options appraisal has been undertaken prior to the council committing to re-tender. The estimated cost to re-tender is £54,000 and this will be met initially from the earmarked reserve pending inclusion in a revised City Deal Grant claim.

75. The disruption of replacing the main contractor means significant delay beyond the original anticipated dates for completion. It had been hoped to issue the re-tender package by the end of October in order that if favourable tenders were received a commencement could be made on site in March 2021 with a completion in April 2022, subject to approvals being made. However, following a request for some re-design work by the George Wyllie Foundation, this timescale is being reassessed. The land-based element of the project will attract a £1.7 million contribution from the George Wyllie Foundation.

Inchgreen

76. The Inchgreen Strategic Business Case was approved in February 2019, following appraisal from the Project Management Office (PMO). The cost of the project is estimated at £9.4 million.

77. The main elements of the project involve land purchases, clearing of the site, upgrading the quay, improving the infrastructure that serves the site and constructing a ship fabrication shed. It is a Joint Venture with Peel Ports Ltd.

78. Whilst the main focus of the City Deal project is related to marine engineering and operations, officers are engaged in discussion with Scottish Salmon Ltd in respect of a significant investment for them to locate their main processing/manufacturing unit in Greenock.

79. The anticipated site start date is not yet known

Inverkip

80. The Inverkip Outline Business Case was presented to the Glasgow City Region City Deal Cabinet in October 2017 and was progressing to a Full Business Case. This was expected in summer 2020 with the full cost of the project estimated at £3.3 million.

81. Approvals within partner organisations are now in place and the Final Business Case submission is under consideration by Scottish Power. The road improvements at Inverkip proceed first to be followed by works at Brueacre. The implementation timescale has been delayed due to programming issues associated with Scottish Power designing and delivery of the A78 road improvements. The anticipated site start date is currently late 2020.

The Local Development Plan was successfully challenged in the courts and will present operational planning issues for some time

82. The council's Local Development Plan (LDP) was adopted in August 2019 following scrutiny from the Scottish Government and examination by Scottish Ministers. The LDP was then challenged by a group of housebuilders with an appeal lodged to the Court of Session.

83. The focus of the appeal related to "chapter seven - Homes and Communities", and the methodology used for determining a five-year effective land supply. On 22nd July the Court upheld the appeal and quashed chapter seven of the LDP stating that it was materially flawed. This decision places the council in a difficult position in respect of planning applications for housing.

84. A full review of this chapter will now be carried out which will require further engagement with Senior Counsel, Scottish Government and the Planning and Environmental Appeals Division (DPEA). An interim housing policy will be developed in the meantime. In view of the present position, legal advice will require to be sought for any planning applications for residential development which have housing land supply issues.

85. The planned timescale for a revised LDP is challenging and will not see adoption until April 2022.



Recommendation 3

A complete revised Local Development Plan should be developed and finalised as soon as practicable

Inverclyde's assessment of corporate performance shows a slight improvement on 2018/19

86. The 2019/20 Corporate Plan Annual Report was published in August 2020. The Annual Report includes the latest performance data, where available, for each of the Corporate Plan performance measures, along with a red / amber / green (RAG) status. The data for seven of the 54 performance measures is obtained from the Citizens' Panel. However, due to Covid-19, the Spring 2020 survey did not take place and new performance information is not currently available.

87. Of the 47 measures which have a RAG status, 26 (55%) have a green status (improved performance), 11 (23%) have an amber status (a decline in performance of less than 5%) and 10 (21%) indicators have a red status (performance has declined by 5% or more). Comparative information for 2018/19 is 52%, 21% and 27% respectively. No RAG status is available for the seven performance measures mentioned above.

88. Notable improvements in performance include:

- An increase in the number of people moving into Inverclyde and a decrease in the number of people leaving
- An increase in the percentage of young people participating in education, training or employment
- An annual reduction in the alcohol related mortality rate per 100,000 population
- A reduction in the gap between Inverclyde and the Scottish average in relation to the percentage of workless households.

89. There has also been a decline in some areas of performance, including:

- The gross weekly pay for employees living in the area has fallen below the Scottish average for the first time in 3 years
- The percentage of 16-24 year-olds that are in employment has fallen from 60% to 50% in 2019 according to the latest Annual Population Survey data
- There has been a small increase in the percentage of data zones that are in the 20% most deprived in Scotland compared to SIMD 2016.

Inverclyde continues to perform well when compared against other councils

90. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The most recent [National Benchmarking Overview Report 2018/19](#) by the Improvement Service was published in January 2020 and covered the 2018/19 reporting period. The Council has 47 indicators out of 71 (66%) in the top two quartiles which is the joint highest across all Scottish councils. This can be seen in [Exhibit 7](#) below. Notable performance improvements include:

- Inverclyde was the top performing authority in relation to delayed discharges and in net cost per waste collection per premise
- Average cost of attending sports facilities is £1.53 (6th in Scotland) for 18/19 compared to £2.52 (17th in Scotland) for 17/18
- The percentage of the highest paid 5% of employees that are women is now 58.7, up from 53.9 in 17/18
- There has also been a marked improvement in the percentage of pupils in the 20% most deprived areas gaining 5+ awards in recent years.

Exhibit 7

Local Government Benchmarking Framework 2018/19 – National rankings

Service	Indicators	1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile
Children's services	21*	8	8	3	2
Corporate services	8	4	1	1	2
Adult social care	7	1	5	1	0
Culture and leisure services	8	3	3	0	2
Environmental services	15	4	3	2	6
Corporate assets	2	1	1	0	0
Economic development and planning	10	3	2	3	2
Total 18/19	71 (100%)	24 (34%)	23 (32%)	10 (14%)	14 (20%)
Total 17/18	65 (100%)	18 (28%)	20 (31%)	16 (24%)	11 (17%)

Source: SOLACE Improving Local Government Benchmarking Framework 2018/19 *14 indicators unavailable at time of writing

91. Areas where performance declined in 2018/19 include:

- Cost of planning and building standards, per planning application has fallen to 32nd (£8,818) in Scotland from 1st in 2016/17 (£2,320)
- Cost of car parks and open spaces per 1,000 population, where Inverclyde has dropped into the fourth quartile

- Proportion of care services graded good or better in Care Inspectorate inspections, where Inverclyde have dropped from 3rd in 17/18 (92.11) to 15th in 18/19 (82.09).

National performance audit reports

92. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#).

93. The Council has processes in place to ensure that findings from national and other relevant Audit Scotland reports are reported to members. These are provided alongside an assessment of potential improvement actions by Inverclyde Council to support further improvements.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Management Commentary</p> <p>Although a number of improvements have been made for 2019/20, full compliance with the recommendations in the Local Government Overview (para 59 in 2019/20 report) has not been demonstrated in relation to performance against budget.</p> <p>Risk</p> <p>Users of the accounts do not clearly understand the development of the budget throughout the year and how this is represented in the financial statements.</p>	<p>The council should adopt best practice for the narrative contained within the management commentary outlined in the Accounts Commission's Local Government Overview Exhibit 3 (Issue 5)</p>	<p>The 2020/21 Management Commentary will reflect best practice including the presentation of performance against budget</p> <p><i>Chief Financial Officer</i> 31 March 2021</p>
2	<p>Internal controls</p> <p>Our work on internal controls identified weaknesses in controls within the payroll system in particular. This is a concern given the extent of expenditure incurred on staff costs.</p> <p>Risk</p> <p>There is a risk that payroll information is inaccurate and not identified by service departments resulting in incorrect payments.</p>	<p>The council should ensure that robust controls are in place to address the weaknesses reported in May 2020 and ensure a robust control environment.</p> <p>Paragraph 42</p>	<p>It was agreed as part of the interim report in May 2020 that Management would review and ensure the controls currently in place are implemented on a timely basis to address the reported weaknesses.</p> <p><i>Head of Organisational Development, Human Resources and Communications</i> December 2020</p>
3	<p>Local Development Plan</p> <p>A successful legal challenge to the council's housing policy has resulted in an incomplete LDP currently being in place.</p> <p>Risk</p> <p>Resources will be used on legal advice for any planning applications for residential</p>	<p>The council should develop and revise the relevant section of the LDP as soon as practicable.</p> <p>Paragraph 85</p>	<p>A full review of the Council's Local Development Plan is being undertaken and will be submitted for examination by Autumn 2021</p> <p><i>Head of Regeneration and Planning</i> 30 September 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	development which have housing land supply issues.		
Follow up of prior year recommendations			
b/f	Council Tax bad debt provision policy	An internal control check should be undertaken to ensure that the information and calculations within the annual accounts are accurate and in line with policy. The council tax bad debt provision policy should also be reviewed to ensure it is appropriate and reasonable.	Complete The council tax bad debt provision and policy were reviewed as part of the annual accounts audit. Both were found to be appropriate and reasonable.
b/f	Fixed Asset Register	An internal control check should be undertaken on the fixed asset register (Logotech) to ensure that the depreciation output is accurate.	Complete Depreciation calculations were reviewed in detail as part of our financial statements audit. No errors were identified.
b/f	Management Commentary	The council should adopt best practice for the narrative contained within the management commentary outlined in the Accounts Commission's Financial Overview Report in 2017/18.	Incomplete Although a number of improvements have been made for 2019/20, full compliance with the recommendations in the Local Government Overview (para 59 in 2019/20 report) has not been demonstrated in relation to performance against budget. See also Recommendation 1
b/f	Inflation contingencies	Inflation contingencies should be reconsidered as part of the next budget setting process, possibly reducing the savings target required.	Complete The 2020/21 inflation contingency budget has been reduced by £1.5 million following review of the contingency required.
b/f	Internal controls	The council should ensure that robust controls are in place to address the weaknesses reported in April 2019 and ensure a robust control environment. Areas of specific focus are payroll validation and system access.	Incomplete In relation to payroll validation, management will continue to explore an improved electronic solution for data verification in the longer term. In relation to system access we found that authorisation of access privileges for new users of the chris21 system



No. Issue/risk



Recommendation



Agreed management action/timing

			<p>could not be provided as no record was retained.</p> <p>See 2019/20 Management Report (May 2020) for detail.</p> <p>See also Recommendation 2</p>
b/f	Shared services	<p>The Council needs to be clear on the benefits that it hopes to achieve and should ensure that any agreed shared service arrangement can deliver the desired outcomes.</p>	<p>Complete</p> <p>Shared service arrangements have progressed with a shared Head of Roads and Transportation, and a shared Head of Internal Audit in place with West Dunbartonshire Council. Expected benefits include:</p> <ul style="list-style-type: none"> •Increased potential to share best practice, learning and improve service; •Service delivery retained within public sector; •Efficiency delivered at management level providing overall savings. <p>Six monthly updates suggest that benefits are being starting to be realised.</p>
b/f	Common Good Fund	<p>Current spending levels can no longer be sustained. Management must take corrective action to return the fund to a surplus position and to build up the minimum level of recommended reserves.</p>	<p>Complete</p> <p>The 2020/21 Budget was set on the basis of a £23,320 surplus with a surplus of £78,000 projected due to the sale of a Common Good asset and cancellation of a number of events. The latest projected fund balance at 31 March 2021 is £95,300 - under £5000 short of the minimum level of reserves.</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>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls to change the position in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Identification and evaluation of significant transactions that are outside the normal course of business.</p>	<p>Results - We did not identify any significant issues within our work on journals or accounting estimates. Our testing of accruals and prepayments and results of data analytics risk assessment did not identify any errors and there were no significant transactions outside the normal course of business.</p> <p>Conclusion - No issues were identified that indicate management override of controls.</p>
<p>2 Risk of fraud in income recognition</p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. Inverclyde Council receives a significant amount of income from several sources including income from fee and charges funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p> <p>Testing the operation of key controls over council tax and NDR income.</p> <p>Analytical procedures on income streams.</p>	<p>Results - We did not identify any significant issues from our testing of income controls and transactions.</p> <p>Conclusion - No fraud issues were identified.</p>
<p>3 Risk of fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. Inverclyde Council incurs significant expenditure in areas such as welfare benefits, social care payments and grants where there is an inherent risk of fraud.</p>	<p>Detailed testing of expenditure focusing on areas of greatest risk, such as grant awards, social care payments and housing benefit transactions.</p> <p>Testing the operation of controls over social care payments.</p>	<p>Results - We did not identify any significant issues from our testing of expenditure controls and transactions, although we reported specific areas where controls could be strengthened.</p> <p>Conclusion - No fraud issues were identified.</p>

4 Risk of error in areas of estimation and judgement

There is a significant degree of subjectivity in the measurement and valuation of non-current assets, pensions, accruals and provisions. The extent of judgement involved increases the risk of material misstatement and requires a specific audit focus.

Assessment of the scope, independence and competence of the professionals engaged in providing estimates for non-current assets and pensions.

Review appropriateness of actuarial assumptions and results including comparison with other councils.

Establish officer's arrangements for ensuring the completeness and accuracy of professional estimations for non-current assets and pensions.

Review actual experience of significant estimates made in the prior year.

Review the bad debt policy in relation to council tax

Review officers' assessment of other significant accruals and provisions at the year end

Sample check the calculations and assessment of depreciation on non-current assets

Results - The additional uncertainty caused by the Covid-19 pandemic has been adequately disclosed within the accounts.

The pensions valuation has been revised following proposed remedy proposals to the issues raised by the McCloud case, that emerged after 31 March 2020. The council's property valuers have drawn attention to material valuation uncertainty in respect of property valuations due to Covid-19. This has been reflected in the audited financial statements and we have drawn attention to this in the independent auditor's report. Audit testing of accruals and provisions did not identify any issues and the judgement of officer's was found to be appropriate.

The council tax bad debt policy was reviewed and found to be appropriate.

Calculations in respect of depreciation were sample checked and found to be accurate and in line with policy.

Conclusion – No issues were identified.

Additional risk identified since planning

5 Risk of inaccurate accounting for group entities

The additional uncertainty of Covid-19 and the effects of lockdown presented specific risks to the group accounts as some associates are significant and their cashflows and valuations may have been adversely affected.

- Assessment of the group boundary within the year.
- Review the accuracy and completeness of the consolidation process including intra-group transactions.
- Receipt of completed component audit questionnaires and, where appropriate, meetings with the auditors of material components.

Results - The auditors of Riverside Inverclyde and Inverclyde Leisure were unable to complete their audits in line with previous year timescales

The additional uncertainty caused by the Covid-19 pandemic has been adequately disclosed within the accounts.

Conclusion – Neither of these audits were concluded prior to the signing of the Inverclyde Council annual accounts, therefore draft figures have been consolidated. However, completed questionnaires from the auditors of component bodies were provided to us including the required assurances.

Appendix 3

Summary of national performance reports 2019/20



		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	Early learning and childcare: follow-up

Inverclyde Council

2019/20 Annual Audit Report

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