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**Report To:** Inverclyde Integration Joint Board      **Date:** 12 June 2017

**Report By:** Louise Long  
Corporate Director (Chief Officer)  
Inverclyde Health & Social Care Partnership      **Report No:** IJB/30/2017/LA

**Contact Officer:** Lesley Aird      **Contact No:** 01475 715381

**Subject:** 2016/17 DRAFT ANNUAL ACCOUNTS

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to set out the proposed approach of the Inverclyde Integration Joint Board (IJB) to comply with its statutory requirements in respect of its annual accounts, to present the draft 2016/17 Annual Governance Statement and to seek IJB agreement to submit the draft Annual Accounts to external audit.

## **2.0 SUMMARY**

- 2.1 IJBs are specified as 'section 106' bodies in terms of the Local Government (Scotland) Act 1973, and consequently are expected to prepare their financial statements in compliance with the Local Authority Accounts (Scotland) Regulations 2014 (the regulations) and the Code of Practice on Accounting For Local Authorities in the United Kingdom.
- 2.2 The Scottish Government introduced the regulations to update the governance arrangements relating to the authorisation and approval of a section 106 body's annual accounts. This report outlines the IJB's approach to comply with the regulations and presents the draft 2016/17 accounts.
- 2.3 The regulations require the Annual Governance Statement be approved by the IJB or a committee of the IJB whose remit includes audit and governance.
- 2.4 The regulations require that unaudited accounts are submitted to the auditor no later than 30 June immediately following the financial year to which they relate.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Integration Joint Board:
1. Notes the proposed approach to complying with the Local Authority Accounts (Scotland) Regulations 2014;
  2. Approves the Annual Governance Statement included within the Accounts; and
  3. Agrees that the unaudited accounts for 2016/17 be submitted to the auditor.

**Louise Long, Chief Officer**

**Lesley Aird, Chief Financial Officer**

## **4.0 BACKGROUND**

- 4.1 On 10 October 2014 the Local Authority Accounts (Scotland) Regulations 2014 came into force. The Scottish Government also provided additional guidance on the application of these regulations.
- 4.2 These regulations superseded the 1985 regulations and provide clearer definitions of the roles and responsibilities of Board Members and Officers in respect of the authorisation and approval of a section 106 body's annual accounts.
- 4.3 These regulations apply to any annual accounts with a financial year that begins from 1 April 2014 and therefore will govern the preparation of the IJB's 2016/17 annual accounts.

## **5.0 ANNUAL GOVERNANCE STATEMENT 2016/17**

- 5.1 The regulations require the Annual Governance Statement be approved by the IJB or a committee of the IJB whose remit includes audit and governance following an assessment of both the effectiveness of the internal audit function and the internal control procedures of the IJB.
- 5.2 The Audit Committee has considered the performance of internal audit and internal control procedures throughout the year.
- 5.3 The Integration Joint Board (IJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The IJB also aims to foster a culture of continuous improvement in the performance of the IJB's functions and to make arrangements to secure best value.
- 5.4 In discharging these responsibilities, the Chief Officer has a reliance on the NHS and Local Authority's systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.
- 5.5 The IJB has adopted governance arrangements consistent where appropriate with the six principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework "*Delivering Good Governance in Local Government*". This statement explains how the IJB has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirement for an Annual Governance Statement.
- 5.6 The Board of the IJB comprises 8 voting members, including the Chair and Vice Chair; four voting members are Council Members nominated by Inverclyde Council and four are Board members of NHS Greater Glasgow and Clyde. There are also a number of non-voting professional and stakeholder members on the IJB Board. Stakeholder members currently include representatives from the third and independent sector bodies and service users. Professional members include the Chief Officer, Chief Finance Officer and Chief Social Worker. The IJB, via a process of delegation from NHS Greater Glasgow and Clyde and Inverclyde Council, and its Chief Officer has responsibility for the planning, resourcing and operational delivery of all integrated health and social care within its geographical area.
- 5.7 A draft Local Code of Good Governance has been drafted for the IJB together with an assurance assessment template. These will be considered and finalised by the IJB Audit Committee during 2017/18 to further enhance the IJB governance arrangements.

- 5.8 The Chief Internal Auditor has confirmed that there are no significant governance issues that require to be reported specific to the IJB.
- 5.9 Based on the audit work undertaken, the assurances provided by Directors (of Inverclyde Council) and the Senior Management Teams (of services within NHS Greater Glasgow and Clyde) it is the Chief Internal Auditor's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during the reporting period of 2016/17.
- 5.10 Subject to the above, and on the basis of the assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment.
- 5.11 The IJB is asked to approve the Annual Governance Statement. The draft statement is enclosed at Appendix A. The statement will be finalised later this month when PWC, the NHS Internal Auditor, release their final 2016/17 reports on NHS Greater Glasgow & Clyde and their Annual Report to the Chief Internal Auditor of the IJB. This allows the Chief Internal Auditor to finalise the IJB Annual Internal Audit report, which places reliance on the work of PWC. Once the Annual Internal Audit Report is finalised the Annual Governance Statement can be updated and include within the draft annual accounts submitted to external audit.

## **6.0 UNAUDITED ACCOUNTS**

- 6.1 The regulations require that the unaudited accounts are submitted to the auditor no later than the 30 June immediately following the financial year to which they relate.
- 6.2 The IJB or committee whose remit includes audit and governance, for Inverclyde this is the IJB Audit Committee, must meet to consider the unaudited annual accounts as submitted to the external auditor no later than 31 August immediately following the financial year to which the annual accounts relate.
- 6.3 Scottish Government guidance states that best practice would reflect that the IJB or committee whose remit includes audit and governance should consider the unaudited accounts prior to submission to the external auditor.
- 6.4 In line with best practice, it is proposed that the unaudited accounts be considered by the Audit Committee prior to 31 August.

## **7.0 RIGHT TO INSPECT AND OBJECT TO ACCOUNTS**

- 7.1 The right to inspect and object to the accounts remains unchanged through these regulations. The timetable for the public notice and period of inspection has been standardised with the inspection period starting no later than 1 July in the year the notice is published.

## **8.0 APPROVAL AND PUBLICATION OF AUDITED ACCOUNTS**

- 8.1 The regulations require that the audited annual accounts should be considered and approved by the IJB or Audit Committee having regard to any report made on

the audited annual accounts by the proper officer<sup>1</sup> or external auditor by the 30 September immediately following the financial year to which the accounts relate. In addition any further report by the external auditor on the audited annual accounts should also be considered by the IJB or Audit Committee.

- 8.2 The Audit Committee will consider the external auditors report and proposed audit certificate (ISA 260 report) prior to inclusion in the audited annual accounts. Subsequently, the external auditor's Board Members Report and the audited annual accounts will be presented to the IJB for approval and referred to the Audit Committee for monitoring of any related action plan.
- 8.3 In order to comply with the regulations, it is proposed that the ISA260 and Board Members Report, together with a copy of the audited annual accounts, is considered by the Audit Committee and thereafter referred to the IJB for approval prior to the 30 September in the year immediately following the financial year to which they relate.
- 8.4 The regulations require that the annual accounts of the IJB be available in both hard copy and on the website for at least five years together with any further reports provided by the external auditor that relate to the audited accounts.
- 8.5 The annual accounts of the IJB must be published by 31 October and any further reports by the external auditor by 31 December immediately following the year to which they relate.
- 8.6 The table below summarises the key required and proposed dates for the 2016/17 annual accounts.

	Required Date	Proposed Date
IJB or Audit Committee to approve Annual Governance Statement	30 June	12 June
Unaudited Annual Accounts to be submitted to external audit	30 June	By 30 June
Publication of Draft Accounts inspection period	1 July	By 30 June
Draft Accounts inspection period	1-21 July	1-21 July
IJB or Audit Committee to consider unaudited Annual Accounts	31 August	By 31 August
IJB or Audit Committee to consider any reports made by the Chief Financial Officer or External Auditor	30 Sept	Sept IJB date tbc
IJB to consider and approve the audited annual accounts		Sept IJB date tbc
Audited Annual Accounts to be published	31 Oct	Following the Sept IJB date tbc
Any further reports by the external auditor to be published	31 Dec	Following the Sept IJB date tbc

## 9.0 2016/17 UNAUDITED ANNUAL ACCOUNTS

- 9.1 The draft Accounts are being prepared in line with guidance issued by CIPFA and provide an overview of the financial performance of the IJB through the following statements:
- Management Commentary
  - Statement of Responsibilities

<sup>1</sup> The Proper Officer is set out in Section 95 of the Local Government (Scotland) Act 1973. In Inverclyde IJB this role is fulfilled by the Chief Financial Officer.

- Annual Governance Statement
- Remuneration Report
- The Financial Statements
- Notes to the Financial Statements

## 10.0 IMPLICATIONS

### 10.1 FINANCE

There are no direct financial implications within this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From	Other Comments
N/A					

### LEGAL

10.2 There are no specific legal implications arising from this report.

### HUMAN RESOURCES

10.3 There are no specific human resources implications arising from this report.

### EQUALITIES

10.4 There are no equality issues within this report.

10.4.1 Has an Equality Impact Assessment been carried out?

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YES (see attached appendix)

NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

10.4.2 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

Equalities Outcome	Implications
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People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

#### 10.5 CLINICAL OR CARE GOVERNANCE IMPLICATIONS

There are /are no governance issues within this report.

#### 10.6 NATIONAL WELLBEING OUTCOMES

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

<b>National Wellbeing Outcome</b>	<b>Implications</b>
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None
People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None
People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None

People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	None

## 11.0 CONSULTATION

- 11.1 This report has been prepared by the IJB Chief Financial Officer. The Chief Officer and the Council's Chief Financial Officer and Director of Finance NHSGGC have been consulted.

## 12.0 BACKGROUND PAPERS

- 12.1 The Local Authority Accounts (Scotland) Regulations 2014  
[http://www.legislation.gov.uk/ssi/2014/200/pdfs/ssi\\_20140200\\_en.pdf](http://www.legislation.gov.uk/ssi/2014/200/pdfs/ssi_20140200_en.pdf)

The Local Authority Accounts (Scotland) Regulations 2014 - a narrative  
<http://www.gov.scot/Resource/0045/00456007.pdf>

## **ANNUAL GOVERNANCE STATEMENT**

The Annual Governance Statement explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control.

### **Scope of Responsibility**

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. It is a body corporate, a legal entity in its own right but it relies on support from officers employed by Inverclyde Council and Greater Glasgow & Clyde NHS Board in relation to the conduct of its business. It is subject to the Public Bodies (Joint Working) (Scotland) Act 2014 and secondary legislation directly relating to the integration of health and social care services, and indirectly in relation to regulatory regimes affecting devolved public bodies in Scotland.

The IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the IJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the IJB's policies, aims and objectives. Reliance is also placed on the Inverclyde Council and NHS Greater Glasgow & Clyde systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

The system can only provide reasonable and not absolute assurance of effectiveness.

### **The Governance Framework and Internal Control System**

The Board of the IJB comprises voting members, nominated by either Inverclyde Council or NHS Greater Glasgow & Clyde, as well as non-voting members including a Chief Officer appointed by the Board.

The main features of the governance framework in existence during 2016/17 were:

- The IJB was the key decision making body. The IJB's membership (voting and non-voting), as set by statutory instrument, is fully

established. An Audit Committee with detailed remit and powers and clearly defined membership was set up in early 2016/17 to consider all matters in relation to Internal and External Audit and Risk Management;

- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, Standing Orders, and Financial Regulations. The IJB is required to have Standing Orders to regulate its business and these were reviewed and updated by the IJB in May 2016. They comply with statutory requirements;
- The IJB's purpose and vision are outlined in the IJB Strategic Plan which was approved and published prior to the delegation of the integrated functions on 1 April 2016 and which links closely to the vision of the Inverclyde Community Planning Partnership and the Single Outcome Agreement and is underpinned by an annual action plan and national statutory performance indicators.;
- The Performance Management Strategy focuses very firmly on embedding a performance management culture that measures delivery of improved outcomes rather than systems and processes throughout the IJB. Regular reporting to Board Members takes place;
- The IJB adopted a Code of Conduct based on the Model Code of Conduct for Integration Joint Boards in May 2016. The register of members' interests was thereafter published and made available for inspection.
- The IJB has in place a development programme for all Board Members. Development programmes are also in place for the Senior Management Team and senior managers across the Partnership. A Performance Appraisal process is in place for all employees, the aim of which is to focus all employees on their performance and development that contributes towards achieving service objectives;
- The IJB has established three Wellbeing Localities, East Inverclyde, Central Inverclyde and West Inverclyde. These reflect the local planning areas that were developed by the Community Planning Partnership (the Inverclyde Alliance) through full public consultation. These provide Board Members with the opportunity to be involved in considering the priorities for each area and outline the role for each Community Planning Partner in meeting these priorities in conjunction with the local communities.



- As a separate Public Body, the IJB is required to publish Equalities Outcomes. These were published on the HSCP website in April 2016.

The governance framework was in place throughout 2016/17.

### **The System of Internal Financial Control**

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. Development and maintenance of these systems is undertaken by the Health Board and Council as part of the operational delivery of the Health and Social Care Partnership. During 2016/17 this included the following:

- Financial regulations and codes of financial practice;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports that indicate financial performance against budget and forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines;
- Formal project management disciplines.

The IJB complies with “The Role of the Head of Internal Audit in Public Organisations” (CIPFA) and operates in accordance with “Public Sector Internal Audit Standards” (CIPFA). The Chief Internal Auditor reports directly to the IJB Audit Committee with the right of access to the Chief Financial Officer, Chief Officer, Chair of the IJB and Chair of the Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the Audit Committee.

With regard to the entries taken from the Health Board and Council Accounts, the IJB is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

### **Review of Effectiveness**

Inverclyde IJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Senior Management Team who have responsibility for development and maintenance of

the governance environment, the annual report by the Chief Internal Auditor and reports from Audit Scotland and other review agencies.

The Internal Audit functions of the Council and Health Board have independent responsibility for examining, evaluating and reporting on the adequacy of internal control. During 2016/17, these services operated in accordance with relevant professional audit standards and the Public Sector Internal Audit Standards. The Chief Internal Auditors prepared annual reports to the relevant Audit Committees, including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control.

### **Significant Governance Issues during 2016/17**

In March 2016, the IJB approved the Strategic Plan covering 2016-2019 which includes the IJB vision and values statements. The vision is ‘Improving Lives’.

The Internal Audit Annual Reports 2016/17 for the Council and Health Board identify no significant control risks. Some actions have been agreed within the Council and Health Board Annual Governance statements to further enhance those internal control environments. None of these are considered material enough to have a significant impact on the overall control environment.

There was one IJB internal audit review planned and completed during the year, Review of Governance Arrangements. The overall opinion on the report was satisfactory. The report contained 3 Green findings. The IJB Audit Committee also noted all medium and high recommendations received by the Council and Health Board Audit Committees relating to Health and Social Care activities and the actions being taken to address any associated recommendations.

**INSERT PARA TBC ON ANNUAL CONTROL STATEMENT FROM CHIEF INTERNAL AUDITOR**

### **Action Plan**

Following consideration of adequacy and effectiveness there are no significant actions required to ensure continual improvement of the IJB’s governance.

## **Conclusion and Opinion on Assurance**

While recognising that improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.

**Simon Carr**

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IJB Chair

**Louise Long**

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Chief Officer