

A meeting of the Inverclyde Integration Joint Board Audit Committee will be held on Tuesday 10 September 2019 at 1pm within Board Room 1, Municipal Buildings, Greenock.

Gerard Malone
 Head of Legal and Property Services

BUSINESS

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INVERCLYDE INTEGRATION JOINT BOARD AUDIT COMMITTEE – 19 MARCH 2019

Inverclyde Integration Joint Board Audit Committee

Tuesday 19 March 2019 at 1pm

Present: Councillors L Quinn and L Rebecchi, Mr A Cowan, Dr D Lyons and Mr I Bruce.

Chair: Councillor Rebecchi presided.

In attendance: Ms L Long, Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership, Ms L Aird, Chief Financial Officer, HSCP, Ms S McAlees, Head of Children's Services & Criminal Justice, Ms A Mailey (for Head of Strategy & Support Services), Ms A Priestman, Chief Internal Auditor, Ms V Pollock (for Head of Legal & Property Services) and Ms S Lang (Legal & Property Services).

In attendance also: Mr M Laird (Audit Scotland).

5 **Apologies, Substitutions and Declarations of Interest** 5

No apologies for absence or declarations of interest were intimated.

6 **Minute of Meeting of Inverclyde Integration Joint Board (IJB) Audit Committee of 29 January 2019** 6

There was submitted minute of the meeting of the Inverclyde Integration Joint Board (IJB) Audit Committee of 29 January 2019.

In relation to the IJB Directions Policy, it was noted that the Scottish Government's anticipated timescale for finalising and publishing statutory guidance on directions was approximately six months.

Decided: that the minute be agreed.

7 **External Audit Fee 2018/19** 7

There was submitted a report by the Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership advising the Committee of the response from Audit Scotland relative to the organisation's fee proposal for 2018/19. The report advised that as agreed by the Committee at its January meeting, a letter had been sent to Audit Scotland querying the fee and in particular the significant increase over two years but that Audit Scotland's response was that it was not proposing to change the fee structure.

During the course of discussion on the item it was noted that Audit Scotland's fee was based on a budgeted number of days with more complex audits over and above these budgeted days attracting an additional charge. None of Inverclyde IJB's Audits to date had attracted an additional charge.

Decided: that the response from Audit Scotland be noted and that Officers be authorised to accept the proposed fee.

8 **Internal Audit Progress Report – 7 January to 22 February 2019** 8

There was submitted a report by the Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership on the progress made by Internal Audit during the period from 7 January to 22 February 2019.

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The Chief Internal Auditor presented the report, being the regular progress report, and advised as follows:

(1) One Internal Audit report (IJB Financial Planning) had been finalised since January 2019 with an overall control environment opinion of satisfactory. There were two green issues and an action plan was in place to address both issues by 30 September 2019;

(2) In relation to the audit follow-up, one item was due for completion at the end of January and this was reported to the January IJB Audit Committee meeting as being complete;

(3) There were ten current actions being progressed by Officers and meetings had been held with relevant Officers to ensure that the specified deadlines were achievable;

(4) Since January 2019, there were no Internal Audit reports issued to and agreed by the NHS Greater Glasgow & Clyde (NHSGG&C) Audit Committee which were relevant to the IJB Audit Committee;

(5) Since January 2019, there was one Internal Audit report presented to Inverclyde Council which was relevant to the IJB Audit Committee (Corporate Purchase Cards). Overall, this had a satisfactory control environment opinion with seven green issues identified. An action plan had been agreed and was due for completion by 30 June 2019;

(6) There continue to be a number of investigations carried out in relation to misuse of blue badges and misuse of expired blue badges.

During discussion on this item, key issues highlighted were:

Moving Forward Together Agenda - There were no undue concerns regarding the alignment of NHS Board and IJB plans with any reporting being through the NHS Board.

Reporting Arrangements - It was clarified that it was the responsibility of relevant Officers to close off outstanding audit actions (with evidence requiring to be provided for red or amber issues) and that these updates would, in each case, be reported back to the IJB Audit Committee.

Corporate Purchase Cards - It was noted that the seven green issues identified in the Inverclyde Council audit to enhance the control environment were relevant to all officers within the HSCP and that procedures were transparent, allowing shared learning.

Current Management Actions as at 28 February 2019 - It was clarified that there were four rather than five audit action points specified in Appendix 1 where the agreed deadline had been missed.

Strategic Plan - It was confirmed that some of the 10 audit actions referred to in Section 3 of the report were linked to and captured by the new Strategic Plan.

Issue of Blue Badges and Expired Blue Badges - It was noted that information on Council car parks and parking restrictions was available on the Council's website and was also contained within the information pack provided with the blue badges.

Decided: that the progress made by Internal Audit in the period from 7 January to 22 February 2019 be noted.

9 External Audit – Annual Plan 2018/19

9

There was submitted a report by the Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership appending the External Audit Plan 2018/19 produced by Audit Scotland.

Mr Mark Laird presented the External Audit Plan 2018/19 on behalf of Audit Scotland. It was noted that the Plan is comprised of two sections:

Risks and Planned Work - One risk had been identified - risk of management override of controls. It was explained that this was an inherent risk in every audit. The Audit Outputs for 2018/19 and target timescales were also highlighted and explained.

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Audit Scope and Timing - It was explained that this section included information on the Annual Accounts and timetable, calculating materiality values and the audit dimensions (financial sustainability; financial management; governance and transparency; value for money) which frame the wider scope of public sector audit requirements.

Decided: that Audit Scotland's Annual Audit Plan 2018/19 be noted.

10 Financial Regulations Update

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There was submitted a report by the Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership seeking approval of revised Financial Regulations which detail the responsibilities of the Integration Joint Board for its own financial affairs.

Decided: that the contents of the report be noted and that approval be given to the revised Financial Regulations as set out in Appendix 1.

11 IJB Risk Register

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There was submitted a report by the Corporate Director (Chief Officer), Inverclyde Health & Social Care Partnership seeking approval of the new IJB Risk Register which was fully reviewed and re-scored at the 20 February development session facilitated by CIPFA, taking account of the risks relevant for the IJB, current controls and mitigations in place.

The Committee was asked to note that, in relation to the HSCP Operational Risk Register, (which has its own reporting line directly to Inverclyde Council and the NHS Board), as at February 2019 there was one risk classified as very high/red. This was Risk 3 (Medical Workforce) with a risk of failing to maintain medical capacity and clinical leadership. The Corporate Director (Chief Officer) advised that an action plan had been prepared and short term cover agreed.

The following matters were discussed in relation to the report:

- (1) The possible addition of a target risk score after mitigating actions. The Committee was advised that before this could be done, it would be necessary to define the risk "appetite" or tolerance level and to set a target under that level. Any risks above the tolerance level would be reported to the Committee. The use of heat maps could also allow a focus on high risks. The matter could be reviewed as time went on.
- (2) The need to review the Risk Register and actions over time.
- (3) The attribution of Risk 5 (Performance Management Information) to IJB Members rather than Officers.
- (4) The need to continue the process of establishing time frames for all controls, it being noted that the time frame for the development of a Community Engagement Strategy for the HSCP under Risk 6 would be reinstated.

Decided:

- (1) that the contents of the report be endorsed and that agreement be given to the new Risk Register based on the discussions at the 20 February 2019 development session;
- (2) that the reporting process be noted;
- (3) that any high/red risks contained on other HSCP Operational Risk Registers be noted;
- (4) that agreement be given to the proposed IJB Strategic Risk Register; and
- (5) that it be agreed that going forward, the Audit Committee review the IJB Strategic Risk Register annually with a six monthly update to the Committee reflecting all red/very high risks.

Report To: Inverclyde Integration Joint Board Audit Committee **Date:** 10 September 2019

Report By: Corporate Director (Chief Officer)
Inverclyde Health & Social Care Partnership **Report No:** IJBA/08/2019/AP

Contact Officer: Andi Priestman **Contact No:** 01475 712251

Subject: INTERNAL AUDIT PROGRESS REPORT – 25 FEBRUARY TO 16 AUGUST 2019

1.0 PURPOSE

- 1.1 The purpose of this report is to enable IJB Audit Committee members to monitor the performance of Internal Audit and gain an overview of the IJB's overall control environment.
- 1.2 The report also presents an update on the Internal Audit work undertaken at Inverclyde Council and NHS Greater Glasgow and Clyde (NHSGGC) between 25 February and 16 August 2019 that may have an impact upon the IJB's control environment.

2.0 SUMMARY

- 2.1 There were no internal audit reports finalised since the last Audit Committee meeting in March 2019.
- 2.2 The 2018/2019 plan is complete.
- 2.3 In relation to Internal Audit follow up, there were 9 action plans due for completion by 31 July 2019 of which 7 actions have been reported as complete and dates in relation to 2 actions have been revised. The current status report is attached at Appendix 1.
- 2.4 In addition, since the last Audit Committee meeting in March 2019, a number of Internal Audit Reports have been reported to Inverclyde Council and NHSGGC which are relevant to the IJB Audit Committee. These are set out in Section 5 of this report.
- 2.5 Actions have been agreed with management and Internal Audit within Inverclyde Council and NHSGGC undertake follow up of actions in accordance with agreed processes and report on progress to the respective Audit Committees.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that IJB Audit Committee members agree to note the progress made by Internal Audit in the period from 25 February and 16 August 2019.

Louise Long
Chief Officer Inverclyde Health & Social Care Partnership

4.0 BACKGROUND

- 4.1 In September 2018, the Audit Committee approved the current Internal Audit Annual Plan which detailed the activity to be undertaken during 2018-19.
- 4.2 Internal Audit reports findings and action plans to relevant IJB Officers and the Audit Committee as part of the annual audit plan. A follow up process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to the Audit Committee.
- 4.3 In each audit, one of 4 overall opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

- 4.4 Individual audit findings are categorised as Red, Amber or Green:

Red	In our opinion the control environment is insufficient to address the risk and could impact the organisation as a whole. Corrective action must be taken and should start immediately.
Amber	In our opinion there are areas of control weakness which we consider to be individually significant but are unlikely to affect the organisation as a whole.
Green	In our opinion our audit highlighted areas for minor control improvement and/or areas of minor control weakness.

- 4.5 A summary is also provided in relation to internal audit work undertaken at Inverclyde Council and NHS Greater Glasgow and Clyde that may have an impact upon the IJB's control environment.

5.0 CURRENT POSITION

- 5.1 There were no internal audit reports finalised since the last Audit Committee meeting in March 2019.
- 5.2 The 2018/2019 audit plan is complete.
- 5.3 In relation to Internal Audit follow up, there were 9 items due for completion by 31 July 2019 of which 7 items have been reported as complete and dates in relation to 2 items have been revised. The current status report is attached at Appendix 1.

5.0 CURRENT POSITION (CONTINUED)

5.4 Inverclyde Council – Internal Audit Progress Report Summary

Since the last Audit Committee meeting in March 2019, the following Internal Audit Report has been reported to Inverclyde Council, which is relevant to the IJB Audit Committee:-

Audit Report	Report Opinion	Number/Category of Issues		
		Red	Amber	Green
HSCP Contract Management (1)	Satisfactory	0	1	2
Change Board Governance (2)	Strong	0	0	3
BACS Payment Process (3)	Satisfactory	0	3	2
Employee Expenses (4)	N/A	N/A	N/A	N/A

- 5.5 (1) The Inverclyde Health & Social Care Partnership (HSCP) provides local residents with a range of legally defined services such as home care and advice services. A combination of commissioned services and directly employed staff are used to deliver HSCP services. The annual expenditure on commissioned services amounts to approximately £35m. It is important that a consistent and effective approach is applied to the management of all external service providers. In particular, effective arrangements must be in place to monitor the operational performance of service providers.

The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to HSCP contract management.

The overall control environment opinion was **Satisfactory**. There was one AMBER issue identified as follows:

Adequacy of Contract Management Framework (CMF) documentation

Contract Management Framework (CMF) documentation has been developed which sets out the key processes that form part of contract management. However, the documentation does not adequately specify the roles and responsibilities of officers when they need to deal with underperforming providers or outline the timeframes for taking corrective action.

In addition, the CMF sets out a number of monitoring indicators which are used in the assessment of service providers' performance. We have reviewed the indicators within the CMF and identified that:

- common indicators for all providers have not been labelled as such;
- indicators have not been fully organised by HSCP function; and
- the relative importance of each indicator has not been specified.

Where clear documentation does not exist to support staff there is a risk that the management of underperforming HSCP service providers may not be undertaken in a consistent and structured approach.

In addition, it may be more difficult to easily select monitoring indicators when the guidance containing those indicators has not been organised by function or prioritised.

5.0 CURRENT POSITION (CONTINUED)

The review identified 3 issues, one of which we consider to be individually significant and an action plan is in place to address all issues by 30 November 2019.

- (2) The demand for Council services is increasing and the cost of providing those services is also rising. However, the Council's income does not increase in line with its costs and there is an ongoing requirement to provide a number of legally mandated services. This environment intensifies the need to produce savings by changing Council services. Part of the Council's response to this situation includes the "Delivering Differently in Inverclyde" programme. The success of such a change management programme is partly determined by the effectiveness of its governance arrangements.

The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to the governance arrangements for the Change Boards.

The overall control environment opinion for this audit review was **Strong**. Three GREEN issues were identified which if implemented by management would enhance the control environment. An action plan has been agreed and all actions are now complete.

- (3) As part of an external auditor's report on the 2016/17 audit, a significant fraud was referred that had been perpetrated against Dundee City Council. The report stressed the wider lessons from this incident for other Councils to consider is the importance of key internal controls. A key area which was identified for review was the BACS (Bank Automatic Clearing System) Payment Process. In early 2018 the Chief Financial Officer set up a short term group of officers from within Finance & ICT to assess how the Council was placed to avoid similar problems and this audit took place at the same time as actions identified by the group were being implemented.

Inverclyde Council uses BACS software Bottomline Technologies to transmit financial transactions for automated payments such as creditors' payments and employee payments. The majority of the Council's payments are made by BACS transmission. Therefore security procedures and controls should be in place to ensure all payments are complete and accurate and access is appropriately restricted.

The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to the BACS payment process.

The overall control environment opinion for this audit review was **Satisfactory**. There were 3 AMBER issues identified as follows:

Unrestricted access to BACS file location

During the BACS payment process, the payment file is transferred by the Payables and Income Team Leader or Assistant Team Leader to a specific server allocated by ICT prior to being electronically transferred via Bottomline BACS software by Finance staff to the Council's bank for payment.

5.0 CURRENT POSITION (CONTINUED)

Through observation and enquiry, it was identified that the BACS file held on the server within ICT is not encrypted and access to the server is currently unrestricted to all Council staff.

Where logical access controls to restrict access to the BACS file are not adequate, there is a risk that bank account numbers and sort codes could be manipulated by the FMS team.

Unrestricted access to payment files

As part of the BACS payment process, the FMS team upload batch payments files by interface from various feeder systems and the FMS team view the payment file on a Windows Notepad. However, the 8 digit bank account numbers and 6 digit sort codes are not encrypted on the Notepad and can be amended by any member of the FMS team. In addition, there is no independent check of the payment file prior to and after transferring it to the Payables & Income team who can also view and amend the 8 digit bank account numbers and 6 digit sort codes on the notepad.

Where access to bank details is not adequately restricted, there is a risk that sort codes and bank account numbers could be amended or sold on for fraudulent use.

Housekeeping of the BACS payment files held on the ICT server location

A key task within the BACS payment process is to transfer the payment file from the Finance drive to the ICT server before being transferred through the Bottomline BACS system. The Payables & Income staff ensure that the BACS files on the Finance drive are cleared out on a 2 weekly basis.

However, it was identified that the ICT server contained BACS files dating back to 2016. These files contain the 8 digit bank account numbers and the 6 digit sort codes of each creditor contained in the relevant BACS payment file. At the time of the review, these BACS files could be viewed by all staff whilst on the ICT server.

Where BACS files are not cleared out on a regular basis, there is a risk that the bank account numbers and sort codes could be stolen and used for fraudulent purposes.

The review identified 5 issues, 3 of which we consider to be individually significant and all action plans were completed by 31 July 2019.

- (4) Employees necessarily incurring additional expense in the course of their work will be reimbursed approved expenses, based on actual expenditure incurred, subject to appropriate evidence of expenditure being produced and prior approval being given from the Head of Service or nominated senior officer.

The scope of the review included employee expense claims submitted by Inverclyde Council employees during the financial year 2018-2019. We did not review expense claims made via CM2000 as this process will be included in a future audit of Payroll.

Substantive testing was carried out on 3416 claim forms submitted between April 2018 and March 2019. This testing identified general issues with the completion of claim forms and adequacy of supporting documentation.

5.0 CURRENT POSITION (CONTINUED)

There were 50 cases where potential discrepancies were identified. Through further discussion with line management, discrepancies were identified in 13 cases including duplicate claims for mileage, inaccurate/rounding up of mileage, claiming for mileage when not at work and ineligible claims. These claims were all authorised by line management and paid. All cases have been discussed with relevant line management and for 2 cases, separate investigations were carried out which have resulted in disciplinary action being instigated by the Service. For 7 cases where a valid and accurate overpayment was identified, this has been recovered by Payroll.

In addition, the following policy issues were identified:

- As part of the audit testing we identified that around 50 claim forms were submitted by employees in relation to subsistence where the employee accompanied a service user in the community. For the claim forms reviewed, this was a regular occurrence often on a daily basis. There is therefore a risk that these claims do not represent value for money. There is also a risk that employees are being treated inconsistently in the absence of a clear policy and practice which covers subsistence. Management have confirmed that this has been a historic practice and have advised that steps have been taken to remove and/or reduce levels of subsistence claims and that alternative provisions have been put in place where appropriate.
- As part of the audit testing we identified around 30-40 employees who claim in excess of 200 miles each period. Through further scrutiny we identified that journeys outwith Inverclyde were being claimed in relation to attending training courses and external meetings as well as accompanying service users and young people. In addition, daily mileage is being incurred by a number of employees/teams who mainly travel within Inverclyde to carry out their duties and may therefore benefit from a dedicated fleet car or access to a pool car arrangement where this is available.
- For two groups of staff, excess mileage claims were processed and paid which were invalid. For one group of staff, claims for excess mileage can be made where the actual journey undertaken is more than the notional journey from the HQ location to the place of work. Audit testing identified that for one employee the actual mileage claimed from home to work was less than the notional journey and therefore no claims should have been made. This overpayment has now been recovered. For the other group of staff, an employee had been permanently transferred from one location to another and had been advised by management to claim home to work mileage for a period of 6 months. We were unable to find documentary evidence to support this authorisation and further testing identified a number of other officers who have also claimed in the same manner. HR have confirmed that there is no excess travel scheme.

5.0 CURRENT POSITION (CONTINUED)

An action plan has been agreed with the Corporate Management Team and includes the following:

1. Claim forms will be validated in the first instance by line managers who have operational knowledge of the day to day operations prior to authorisation by the budget holder.
2. Standard mileage will be agreed for regular journeys undertaken or mileage will be calculated using the vehicle's odometer or google maps.
3. Travel and Subsistence Policy will be updated to make clear what is eligible and not eligible for reimbursement and guidance will be provided regarding subsistence.
4. For travel outside of Inverclyde, public transport will be the default option in all cases. Where required, access to a pool/hire car will be considered as a more cost-effective alternative to using private car. Where a private car is required to be used, this will be approved by the Head of Service.
5. Savings proposals will be considered in relation to high mileage claims where a pool, electric or rental vehicle may be a more cost-effective solution in the longer term.
6. Travel and Subsistence Policy will be reviewed and updated in relation to excess mileage claims to ensure clear guidance is provided to employees.
7. Line managers and supervisors will be reminded of the need to scrutinise expense claims for validity and ensure that supporting documentation is attached prior to authorisation of the claim.
8. The Travel and Subsistence self-service module within Chris21 will be examined and a pilot service will be identified to develop and implement the new process across all Services.

As part of the 2019-2020 Internal Audit plan we will continue to review expense claims on a quarterly basis to ensure all actions have been implemented.

5.6 As part of the Internal Audit Annual report to the IJB Audit Committee, reports rated Unsatisfactory or Requires Improvement will be considered for inclusion within the IJB's annual governance statement as appropriate.

5.7 The Annual Internal Audit Report for Inverclyde Council outlined the internal audit work carried out for the year ended 31 March 2019 and stated that the Chief Internal Auditor was required to provide a written statement to the organisation to inform the Annual Governance Statement. The internal audit work carried out during the year was based on the internal audit annual plan for the year which had been approved by the Audit Committee in April 2018.

The Chief Internal Auditor Opinion was *Generally Satisfactory with some improvement needed*. A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.

There were no audit reports during 2018-19 rated as Unsatisfactory or Requires Improvement which required to be reported in the Annual Governance Statement.

5.8 In addition, corporate fraud investigations have been undertaken as follows:

Blue Badge Enquiries		
Number of Enquiries	Misuse Identified	No misuse
35	27	8

5.0 CURRENT POSITION (CONTINUED)

5.9 NHSGGC - Internal Audit Progress Report Summary

Since the last Audit Committee meeting in March 2019, the following Internal Audit Reports have been issued to and agreed by NHSGGC Audit Committee which are relevant to the IJB Audit Committee:-

Audit Report	Opinion	Red	Amber	Yellow	Green
Strategic Planning Alignment	N/A (consultancy report)	-	-	-	-
Financial Systems Health Check	Minor improvement required	-	-	9	1
Financial Planning – Financial Improvement Programme	Minor improvement required	-	-	3	2
Payroll (1)	Substantial Improvement Required	-	2	3	2
Sickness Absence (2)	Substantial Improvement Required	-	5	1	1
Other Leave	Minor improvement required	-	-	3	-
Digital Strategy	Minor improvement required	-	-	2	-
Governance statement readiness	Effective	-	-	-	1
Property transaction monitoring	Minor improvement required	-	-	2	-
Capacity planning	Minor improvement required	-	-	2	1
Performance reporting (3)	Substantial Improvement Required	-	2	2	-
HSMR	Minor improvement required	-	-	3	-
Nurse rostering	Minor improvement required	-	1	4	-
GDPR compliance	Minor improvement required	-	1	1	1
Information sharing	Minor improvement required	-	-	3	1
Waiting times	Effective	-	-	-	1

5.10 In each audit, one of 4 overall opinions is expressed:-

Immediate, major improvement required (Red)

Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

Critical: fundamental absence or failure of key controls

5.0 CURRENT POSITION (CONTINUED)

Substantial improvement required (Amber)

Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

High: control objective not achieved - controls are inadequate or ineffective

Minor improvement required (Yellow)

A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Moderate: Control objective achieved - no major weaknesses but scope for improvement

Effective (Green)

Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Low: Control objective achieved - controls are adequate, effective and efficient

Recommendations are graded as follows:-

Ranking	Definition
RED	Very high risk exposure - major concerns requiring immediate senior management attention.
AMBER	High risk exposure - absence / failure of key controls.
YELLOW	Moderate risk exposure - controls not working effectively and efficiently.
GREEN	Limited risk exposure - controls are working effectively, but could be strengthened.

5.11 The amber rated reports are as follows:-

(1) Payroll

The review has identified a number of weaknesses within NHS Greater Glasgow and Clyde's payroll procedures. These cover a number of different areas including the processing of amendments, staff bank payments, medical on-call supplements and Waiting List Initiative sessions. The capabilities of the new HR system, eESS, will help the Board address many of the recommendations raised in this report and should also improve the efficiency of the payroll processes.

The findings included in the management action plan have been agreed with the audit contacts and sponsor. A timeline for the completion of actions has also been agreed, which will be followed-up as part of their quarterly follow-up process.

5.0 CURRENT POSITION (CONTINUED)

(2) Sickness Absence

NHSGGC has created a robust framework for managing sickness absence. Line managers have access to a range of guidance, templates and absence data to assist them to manage individual absences and address underlying causes affecting their teams.

Scott-Moncrieff identified through their sample testing, however, that managers and supervisors are not consistently using this information and adhering to documented processes to manage absences at both individual and team levels. Scott-Moncrieff also identified that appropriate checks are not occurring to ensure that absences are managed in line with processes and that initiatives to improve attendance are implemented in full.

Absences may not be managed effectively in every instance which could prevent NHSGGC from lowering absence rates across the Board. Scott-Moncrieff have identified actions relating to improving compliance with procedures, enhanced reporting/checks and improving the quality of data on sickness absence that would help the Board to improve arrangements in the area.

The findings included in the management action plan have been agreed with the audit contacts and sponsor. A timeline for the completion of actions has also been agreed, which will be followed-up as part of their quarterly follow-up process.

(3) Performance Reporting

The performance management arrangements in place within NHSGGC reflect good practice in many areas, however there is significant room for improvement in some respects. NHSGGC has an 'Interim Annual Plan' in place for 2018/19 that sets out the health board's objectives for the year. This plan was put in place as an interim measure following the Scottish Government's suspension of the Annual Delivery Plan process and in recognition of the impact that Moving Forward Together will have in shaping the strategic agenda. The plan is supplemented by a performance management plan that contains supporting actions and targets for measuring delivery of those objectives. The objectives and targets identified provide adequate coverage over the main activities of the health board and comprise an appropriate mix of qualitative and quantitative indicators. This enables NHSGGC to monitor their performance throughout the current year. We have however, identified significant enhancements that can be made to the performance management process to improve how performance against objectives is measured and reported.

Scott-Moncrieff recommend that NHSGGC produce a comprehensive performance framework to ensure organisation-wide performance is robustly measured and reported on. This includes ensuring all targets are SMART and contain adequate detail around how they will be delivered. This framework should support the production of performance reports that provide substantial assurance to the NHSGGC Board and minimise the current reporting duplication across the organisation.

The findings included in the management action plan have been agreed with the audit contacts and sponsor. A timeline for the completion of actions has also been agreed, which will be followed-up as part of their quarterly follow-up process.

- 5.12 Internal Audit undertakes follow up work on a quarterly basis to confirm the implementation of recommendations. The results of the follow up work are reported to the NHSGCC Audit Committee with any matters of concern being drawn to the attention of this Committee.

5.0 CURRENT POSITION (CONTINUED)

5.13 The overall audit opinion reported in the NHSGGC Internal Audit Annual Audit report 2018/2019 was as follows:

In our opinion NHS Greater Glasgow and Clyde's internal control framework provides reasonable assurance regarding the achievement of objectives, the management of key risks and the delivery of best value, except in relation to:

- Performance Reporting;
- Payroll; and
- Sickness Absence.

Working closely with management, our reviews in the above areas highlighted significant opportunities for improving controls in order to ensure appropriate mitigation of risk, with 9 amber rated (high risk) actions arising.

Management has committed to implementing the necessary improvement actions in all of the above areas and progress is being reported to the Audit and Risk Committee as appropriate. Our most recent follow-up review for Q4 2018/19 has confirmed that management are making good progress in implementing the actions in line with agreed timescales, and we will continue to monitor this position on a quarterly basis during 2019/20.

6.0 IMPLICATIONS

Finance

6.1 The work required to deliver the Annual Internal Audit Plan will be contained within the existing Internal Audit budget set by Inverclyde Council.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 Has an Equality Impact Assessment been carried out?

	YES
X	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.

How does this report address our Equality Outcomes?

Equalities Outcome	Implications
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

6.5 There are no direct clinical or care governance implications arising from this report.

National Wellbeing Outcomes

6.6 How does this report support delivery of the National Wellbeing Outcomes?

National Wellbeing Outcome	Implications
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

7.0 DIRECTIONS

7.1 Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	X
	2. Inverclyde Council	
	3. NHS Greater Glasgow & Clyde (GG&C)	
	4. Inverclyde Council and NHS GG&C	

8.0 CONSULTATIONS

8.1 N/A

9.0 LIST OF BACKGROUND PAPERS

9.1 Internal Audit Reports. Copies available from Chief Internal Auditor.

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
AT 31 JULY 2019**

Summary: Section 1 Summary of Management Actions due for completion by 31/07/19

There were 9 items due for completion by 31 July 2019 of which 7 items have been reported as completed by management and action dates in relation to 2 items have been revised.

Section 2 Summary of Current Management Actions Plans at 31/07/19

At 31 July 2019 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/07/19

At 31 July 2019 there were 3 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 July 2019 there were 2 audit action points where the agreed deadline had been missed.

Section 5 Summary of Audit Action Points By Audit Year

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.07.19

SECTION 1

No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*	No action proposed
9	7		2	

* These actions are included in the Analysis of Missed Deadlines – Section 4

Completed actions are as follows:

Report/Agreed Action	Status
Review of Governance Arrangements (February 2017)	
<p>Managing IJB members individual training needs in governance matters (Green)</p> <p>The IJB Chief Officer, in conjunction with the IJB Chief Financial Officer and IJB Standards Officer, will ensure that IJB members undertake a self-assessment exercise on an annual basis which reflects their training needs in governance matters, including refresher training. This will be factored into future development sessions for IJB Members.</p> <p>Action due date: 30/06/19</p>	<p>IJB Development Programme approved at IJB meeting of 14th May 2019. Training has been offered and development plan for year agreed.</p>
Strategic Planning and Performance Management Arrangements (January 2018)	
<p>Annual review of the IJB's three year strategic plan and managing changes which impact on delivering outcomes (Amber)</p> <p>The Head of Strategy & Support Services will also:</p> <ul style="list-style-type: none"> • increase the role of the Strategic Planning Group in monitoring implementation of the strategic plan; and • develop the Strategic Planning Group's role in monitoring the process for measuring delivery of outcomes within the strategic plan in order that the Strategic Planning Group can be satisfied those arrangements • are supported by robust evidence. <p>Action due date: 30/04/19</p>	<p>Review completed in June 2018 and used to inform the new 5 Year Strategic Plan (2019-24). Development was led by the SPG, and sessions to shape the implementation plans relating to the 6 Big Actions have included the SPG members. Once all implementation plans are completed and approved, actions will carry RAG status. SPG will receive updates at every meeting on an exceptions basis.</p>

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.07.19

SECTION 1

Report/Agreed Action	Status
Strategic Planning and Performance Management Arrangements (January 2018)	
<p>Ensuring compliance with legal requirements regarding the Strategic Planning Group (Green) The Head of Strategy & Support Services will, in consultation with the IJB Standards Officer, develop an approach to actively manage all outstanding compliance issues regarding the operation of the Strategic Planning Group.</p> <p>Action due date: 31/03/19</p>	<p>SPG Terms of Reference have been reviewed to ensure that compliance is explicit in the operating model.</p>
Workforce Planning (May 2018)	
<p>Managing the People Plan within the overall planning landscape (Green) Management will seek agreement with relevant Council officers in order that reliance can be placed upon the HSCP's partnership approach to workforce planning.</p> <p>Action due date: 31/03/19</p>	<p>Succession plans have been developed in line with the Council's requirements and these are now being used to inform a refresh of the People Plan Action Plan.</p>
IJB Directions (December 2018)	
<p>Use of Integration Joint Board (IJB) directions when changing HSCP services (Green) Non-financial criteria – all substantive service changes are already subject to specific reports to the IJB and relevant funding body – proposed that a section is added to the IJB reports to confirm whether on a case by case basis the change requires a specific updated direction to be issued. Await final directions guidance from Scottish Government before implementing to ensure the new guidance is followed.</p> <p>Action due date: 30/04/19</p>	<p>IJB Reports template has been updated to explicitly include directions where required, or provide a null response if no directions are required.</p>
IJB Financial Planning Arrangements (February 2019)	
<p>Adequacy of the Inverclyde Integration Joint Board's (IJB) financial planning process (Green) The IJB's Chief Financial Officer will update the IJB's Financial Plan and:</p> <ul style="list-style-type: none"> • include analysis of the risks associated with its implementation; • retain section 5 of the first Financial Plan and outline the financial implications of implementing the next Strategic Plan • make clear that best and worst case scenarios had been examined when preparing the most likely financial scenario for the IJB; • consider including best and worst case financial scenarios; and • set a timetable to review and update the Financial Plan and align it to reviews of the Strategic Plan. <p>Action due date: 30/06/19</p>	<p>The Financial Plan has been updated to incorporate a risk and scenario planning section in line with this recommendation. The revised plan was approved by the IJB in March 2019.</p>

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.07.19

SECTION 1

Report/Agreed Action	Status
<p>Guidance to support Inverclyde IJB's financial planning process (Green) The Inverclyde IJB Chief Financial Officer will:</p> <ul style="list-style-type: none"> • develop appropriate financial planning guidance which is consistent with the existing budget setting protocol. This guidance will specify the roles and responsibilities of all relevant officers involved in financial planning; • consider including the existing budget setting protocol and financial planning guidance as appendices to the IJB's Financial Regulations; and • set a date for completing a review of the IJB's Financial Regulations. <p>Action due date: 30/06/19</p>	<p>The financial regulations have been updated in line with this recommendation.</p>

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.07.19

SECTION 2

Current Actions	
Due for completion September 2019	1
Completion date to be advised	2
Total current actions:	3

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS**

CURRENT MANAGEMENT ACTIONS AS AT 31.07.19

SECTION 3

Action	Owner	Expected Date
IJB Financial Planning Arrangements (February 2019)		
Guidance to support Inverclyde IJB's financial planning process (Green) The Inverclyde IJB Standards Officer will develop an appropriate Scheme of Delegation to Officers. The Scheme of Delegation to Officers will include reference to financial planning.	IJB Standards Officer	30.09.19

* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
IJB Directions (December 2018)	<p>Adequacy of the Integration Joint Board’s Directions Policy (Green) The IJB’s policy on directions will be reviewed and updated by:</p> <ul style="list-style-type: none"> • clearly endorsing the current practice whereby wide-ranging IJB directions are included within regular IJB financial reports in order to authorise the ongoing delivery of HSCP services; • including within each IJB report an “information grid” which shows whether or not IJB directions require to be issued at all or issued to the Council, Health Board or to both of its delivery partners; • amending the template used for IJB directions to include a unique reference number which comprises the IJB meeting date and corresponding report number; • amending the template used for IJB directions to include a “direction status box” to distinguish between updated directions, new directions and the cancellation of existing directions; and • allowing for the preparation of joint directions involving two or more of the IJB’s within NHS Greater Glasgow & Clyde along with outlining the circumstances in which joint IJB directions could become necessary. 	30.04.19	To be advised	<p>The template report has been updated to include a directions box.</p> <p>We are still waiting for the statutory guidance on directions to be issued by the Scottish Government. A revised policy will be implemented once the final Scottish Government guidance is issued.</p>

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
IJB Directions (December 2018)	<p>Adequacy of the Integration Joint Board's Directions Policy (Green)</p> <p>Once the Scottish Government's statutory guidance on IJB directions has been issued the Integration Joint Board's Chief Officer will, in conjunction with the IJB's Standards Officer, examine how best to demonstrate compliance with that guidance whilst retaining those elements of current practice which are operating satisfactorily.</p> <p>The IJB's Chief Officer will seek approval from the Inverclyde IJB to implement a revised policy on managing IJB directions.</p>	30.04.19	To be advised	<p>The template report has been updated to include a directions box.</p> <p>We are still waiting for the statutory guidance on directions to be issued by the Scottish Government. A revised policy will be implemented once the final Scottish Government guidance is issued.</p>

**INVERCLYDE INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 31 July 2019.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2016/2017	3	3	0	0	0
2017/2018	8	8	0	0	0
2018/2019	6	3	0	0	3
Total	17	14	0	0	3

* This part of the table sets out the total number of current actions not yet due at the date of the follow up report.

Report To: Inverclyde Integration Joint Board Audit Committee **Date:** 10 September 2019

Report By: Louise Long
Corporate Director (Chief Officer)
Inverclyde Health & Social Care Partnership **Report No:** IJBA/09/2019/AP

Contact Officer: Andi Priestman **Contact No:** 01475 712251

Subject: INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2018/2019

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Internal Audit Annual Report and Assurance Statement for 2018/2019 which forms part of the Integration Joint Board's Annual Governance Statement.

2.0 SUMMARY

- 2.1 The Internal Audit Annual Report 2018/2019 is attached as an Appendix to this report for consideration by the Committee. The report concludes that the majority of the IJB's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Satisfactory**. Appendix 1
- 2.2 A follow up process has been established during 2018/2019 to monitor management's progress in implementing agreed action plans arising from Internal Audit reviews.

3.0 RECOMMENDATION

- 3.1 It is recommended that the Audit Committee approves the Internal Audit Annual Report and Assurance Statement.

Louise Long
Chief Officer
Inverclyde Health & Social Care Partnership

4.0 BACKGROUND

4.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the Section 95 Officer to support the Annual Governance Statement. This report should present an opinion as to the overall adequacy and effectiveness of the organisation's internal control environment.

4.2 The report should also:

- Disclose any qualifications to that opinion, together with reasons for the qualification;
- Present a summary of the audit work undertaken to formulate the opinion including reliance placed on the work by other assurance bodies;
- Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control; and
- Compare the work undertaken with work planned.

4.3 The Accounting Code of Practice ("ACOP") requires that the Section 95 Officer produces a signed Annual Governance Statement as part of the Council's Annual Report. This report is subject to External Audit scrutiny as part of the year-end audit process.

5.0 CURRENT POSITION

5.1 The Internal Audit Annual Report 2018/2019 is attached as an Appendix to this report for consideration by the Committee. The report concludes that the majority of the IJB's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit.

5.2 A follow up process has been established during 2018/2019 to monitor management's progress in implementing agreed action plans arising from Internal Audit reviews.

6.0 IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 Has an Equality Impact Assessment been carried out?

	YES
X	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.

How does this report address our Equality Outcomes?

Equalities Outcome	Implications
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

6.5 There are no direct clinical or care governance implications arising from this report.

National Wellbeing Outcomes

6.6 How does this report support delivery of the National Wellbeing Outcomes?

National Wellbeing Outcome	Implications
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

7.0 DIRECTIONS

7.1 Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	X
	2. Inverclyde Council	
	3. NHS Greater Glasgow & Clyde (GG&C)	
	4. Inverclyde Council and NHS GG&C	

8.0 CONSULTATIONS

8.1 Not applicable. This report summarises the work carried out during 2018-2019 which have been included in separate progress reports to Audit Committee.

9.0 LIST OF BACKGROUND PAPERS

9.1 Internal Audit Progress Report to the Audit Committee in January and March 2019.



Internal Audit Annual Report and Assurance Statement 2018/2019

12 June 2019

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SECTION 1 – INTRODUCTION

Purpose of this report

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the s95 Officer timed to support the Annual Governance Statement. This report constitutes the required statement. As required by PSIAS, this report presents the opinion of the overall adequacy and effectiveness of Inverclyde Integration Joint Board (IJB)'s risk management, control and governance processes, based on the work Internal Audit has performed. The scope of internal audit work, the responsibilities of Internal Audit, and the assurance given on the adequacy and effectiveness of the Internal Control System of the IJB are explained further in Section 4 of this report.

Main objectives of the IJB's Internal Audit Team

- 1.2 Internal Audit is an assurance function that primarily provides an independent, objective opinion to the Board on the control environment. The overall objective of Internal Audit is to review, appraise and report on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. A secondary objective is to advise management on improvements in internal control systems.

Scope of the IJB's Internal Audit Team

- 1.3 The scope of Internal Audit allows for unrestricted coverage of the IJB's activities and unrestricted access to records and assets deemed necessary by auditors in the course of an audit.

Acknowledgements

- 1.4 The assistance provided by IJB officers in the course of the work undertaken by Internal Audit during 2018/2019 is gratefully acknowledged.

SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE

Scope

- 2.1 The work undertaken by Internal Audit in 2018/2019 is summarised in Section 3 of this Report.
- 2.2 The overall assessment arising from work undertaken is summarised in paragraphs 2.3 to 2.4 below. In interpreting this assessment, consideration needs to be given to the respective responsibilities of Management and Internal Audit and the related limitations on the assurance that Internal Audit can provide (as explained in Section 4).

Overall assessment

On the basis of Internal Audit work carried out in 2018/2019, the majority of the IJB's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that some recommendations were made by Internal Audit to improve controls. The overall opinion is **Satisfactory**.

Other matters

- 2.3 Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2018/2019 have been reported separately to the Audit Committee. Appropriate responses to the recommendations made in internal audit reports have been obtained. When actioned, the recommendations made in the Internal Audit reports should provide management with additional comfort that the system of control operates as intended. It is therefore imperative that the agreed actions are implemented by management.
- 2.4 A follow up process is in place which ensures that all actions arising from internal audit reviews are captured within a follow up database, and are subject to follow up and validation by the Chief Internal Auditor on a regular basis, with reporting on progress to the Audit Committee.

SECTION 3 – INTERNAL AUDIT WORK CONDUCTED

Internal audit approach

- 3.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit annual audit plan.

INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2018/2019

Progress on the 2018/2019 internal audit plan

- 3.2 The Annual Internal Audit Operational Plan 2018/2019 was discussed and agreed with the Audit Committee on 11 September 2018.
- 3.3 Progress against planned audit work for the year to 31 March 2019 can be summarised as follows:

Audit Area	Indicative Scope	Status
Financial Planning	The Inverclyde IJB Financial Plan 2018-2021 was approved in March 2018. Internal Audit will review the adequacy and effectiveness of arrangements in place to monitor the implementation of the Inverclyde IJB Financial Plan 2018-2021.	Complete
IJB Directions	The Inverclyde IJB issued directions to Inverclyde Council and Greater Glasgow & Clyde NHS Board (the Health Board) in respect of the delivery of the functions delegated to the IJB under the Public Bodies (Joint Working) (Scotland) Act 2014. Internal Audit will review the adequacy and effectiveness of arrangements in place to monitor the implementation of IJB Directions.	Complete
Action Plan Follow Up	To monitor the progress of implementation of agreed internal audit action plans by management.	Ongoing
Audit Planning and Management	Review and update of the audit universe and attendance at IJB Audit Committee.	Complete
Internal Audit Annual Report	Annual report on 2018-2019 audit activity.	Complete

- 3.4 The total number of issues raised is set out in the following table:

Report	Red	Amber	Green	Overall Grading
Financial Planning	0	0	2	Satisfactory
IJB Directions	0	0	2	Satisfactory
Total	0	0	4	

Progress on Implementation of Action Plans

- 3.5 Action plans were agreed in relation to the reports generated for the 2018/2019 annual audit plan. The following table sets out the number of actions agreed for each report issued and the status of completion at 31 March 2019 as follows:

Report	No of Actions Agreed	No of Actions Complete at 31/3/19	No of Actions Revised at 31/3/19	No of Actions Not Due at 31/3/19
Financial Planning	3	0	0	3
IJB Directions	3	0	0	3
Total	6	0	0	6

- 3.6 All actions are subject to ongoing follow up by Internal Audit and are included within the Internal Audit action plan follow up reports to the Audit Committee on a regular basis.

Performance Measures

3.7 The following performance measures were in place for 2018/2019:

Measure	Description	Target	Actual
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%	100%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%	100%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%	100%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%	100%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%	
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	100%
8. Staff compliance with CPD	Number of training hours undertaken to support CPD	140	187
9. Management engagement	Number of meetings with Chief Officer and Chief Financial Officer as appropriate	2 per year	2

Reliance from other assurance providers

3.8 During 2018/2019, the following Internal Audit Reports have been issued to Inverclyde Council, which are relevant to the IJB:

Audit Report	Opinion	Number/Category of Issues		
		Red	Amber	Green
HSCP Commissioning Arrangements	Satisfactory	0	2	1
Corporate Purchase Cards	Satisfactory	0	0	7
Total		0	2	8

3.9 Actions have been agreed with management and Internal Audit follow up each action when it falls due with regular reporting to the Council’s Corporate Management Team and Audit Committee on the implementation of agreed actions and any matters of concern.

Reliance from other assurance providers (Continued)

3.10 In addition, corporate fraud investigations have been undertaken as follows:

Year/Ref	Enquiry	Status
17/18 17-127	Misuse of Blue Badge	Closed – no fraud detected.
17/18 17-140	Misuse of Blue Badge	Misuse established. Letter issued.
17/18 17-159	Misuse of Blue Badge	Misuse established. Letter issued.
17/18 17-163	Misuse of Blue Badge	Misuse established. Visit to badge holder and advice given.
17/18 17-168	Misuse of Blue Badge	Misuse established. Badge cancelled.
18/19 18-01	Misuse of Expired Blue Badge	Misuse established. Letter issued.
18/19 18-05	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-06	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-13	Misuse of Blue Badge	Misuse established. Badge cancelled.
18/19 18-16	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-20	Misuse of Blue Badge	Referred to Corporate Fraud team at North Ayrshire Council.
18/19 18-27	Misuse of Expired Blue Badge	Badge seized and misuse letter issued. BBIS updated.
18/19 18-38	Misuse of Blue Badge	Referred to North Ayrshire Council.
18/19 18-77	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-83	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-86	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-89	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-93	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-98	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-99	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-100	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-102	Misuse of Blue Badge	Misuse letter issued.
18/19 18-118	Misuse of Blue Badge	Badeg seized and misuse letter issued.
18/19 18-137	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-140	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-142	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-145	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-146	Misuse of Expired Blue Badge	Badge seized and misuse letter issued.

Reliance from other assurance providers (Continued)

18/19 18-148	Misuse of Blue Badge	Badge seized and BBIS updated.
18/19 18-152	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-156	Misuse of Blue Badge	Visit to badge holder and advice given.
18/19 18-158	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-161	Misuse of Blue Badge	Badge seized and referred to East Ayrshire Council.
18/19 18-162	Misuse of Expired Blue Badge	Expired badge voluntarily given up by user.
18/19 18-165	Misuse of Blue Badge	Badge seized and BBIS database updated.
18/19 18-170	Misuse of Blue Badge	Badge seized and advice given.
18/19 18-171	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-172	Misuse of Expired Blue Badge	No misuse detected but badge seized and destroyed.
18/19 18-173	Misuse of Blue Badge	Badge seized and advice given.
18/19 18-174	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-177	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-178	Misuse of Blue Badge	Badge seized and advice given.
18/19 18-180	Misuse of Blue Badge	Badge seized and advice given.
18/19 18-181	Misuse of Organisational Blue Badge	Misuse established. Visit to organisation carried out and advice given to management.
18/19 18-183	Misuse of Expired Blue Badge	Badge seized and returned to North Ayrshire Council for destruction.
18/19 18-185	Misuse of Blue Badge	Visit carried out and badge seized.
18/19 18-186	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-188	Misuse of Expired Blue Badge	Badge seized and advice given.

3.11 The overall audit opinion reported in the Inverclyde Council Internal Audit Annual Audit report was as follows:-

*On the basis of Internal Audit work carried out in 2018/2019, the majority of Inverclyde Council's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that a number of recommendations were made by Internal Audit to improve controls. The overall opinion is **Generally Satisfactory with some improvements needed.***

There were no significant issues that were highlighted for inclusion in the Council's Annual Governance Statement.

Reliance from other assurance providers (Continued)

3.12 During 2018/2019, the following Internal Audit Reports have been issued to NHSGGC which are relevant to the IJB:

Review	Overall Audit Rating	No of Issues per grading			
		4	3	2	1
Strategic Planning Alignment	N/A	-	-	-	-
Outpatient Capacity Planning	Minor improvement required	-	-	2	1
Performance Reporting	Substantial improvement required	-	2	2	-
Financial Systems Health Check	Minor improvement required	-	-	9	-
Financial Planning – Financial Improvement Programme	Minor improvement required	-	-	3	2
Payroll	Substantial improvement required	-	2	3	2
Hospital Standardised Mortality Ratios	Minor improvement required	-	-	3	1
Review of Patient Results	N/A	-	-	-	-
Sickness Absence	Substantial improvement required	-	5	1	1
Other Leave	Minor improvement required	-	-	3	-
Nurse Rostering	Minor improvement required	-	1	4	-
GDPR Compliance	Minor improvement required	-	1	1	1
Digital Strategy	Minor improvement required	-	-	2	-
Information Sharing	Minor improvement required	-	-	3	1
Governance statement Readiness	Effective	-	-	-	1
Waiting Times Audit	Effective	-	-	-	1
Property Transaction Monitoring	Minor improvement required	-	-	2	-
Follow Up – Q3	N/A	-	-	-	-
Follow Up – Q4	N/A	-	-	-	-
Total Findings		0	11	38	11

3.13 Internal Audit undertake follow up work on a quarterly basis to confirm the implementation of recommendations. The results of the follow up work are then reported to the Audit Committee with any matters of concern being drawn to the attention of this Committee.

Reliance from other assurance providers (Continued)

- 3.14 The overall audit opinion reported in the NHSGGC Internal Audit Annual Audit report 2018/2019 was as follows:

In our opinion NHS Greater Glasgow and Clyde's internal control framework provides reasonable assurance regarding the achievement of objectives, the management of key risks and the delivery of best value, except in relation to:

- *Performance Reporting;*
- *Payroll; and*
- *Sickness Absence.*

Working closely with management, our reviews in the above areas highlighted significant opportunities for improving controls in order to ensure appropriate mitigation of risk, with 9 amber rated (high risk) actions arising.

Management has committed to implementing the necessary improvement actions in all of the above areas and progress is being reported to the Audit and Risk Committee as appropriate. Our most recent follow-up review for Q4 2018/19 has confirmed that management are making good progress in implementing the actions in line with agreed timescales, and we will continue to monitor this position on a quarterly basis during 2019/20.

Reliance by external audit

- 3.15 During the year under review, liaison has taken place with the IJB's External Auditors through joint attendance at the Audit Committee, meetings, ad hoc discussions and the sharing of audit plans and reports. External audit considers the work of Internal Audit throughout the year to inform their audit process.

SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE

Approach

- 4.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed annual audit plans. The overall scope of the internal audit work encompasses the IJB's risk management practices, governance practices and internal controls.
- 4.2 The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect evolving risks and changes within the IJB. The Internal Audit Annual Audit Plan 2018/2019 was discussed and agreed at the Audit Committee on 11 September 2018. In addition, consultation on the content and coverage of the audit plan took place with the Chief Officer and the Chief Financial Officer.

Responsibility and reporting lines of the Chief Internal Auditor

- 4.3 The Chief Internal Auditor reports functionally to the IJB Audit Committee and has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. The adoption of these arrangements enables the IJB to conform with the reporting line requirements of the International Standard on Auditing ("ISA") (UK and Ireland) 610 and the Public Sector Internal Audit Standards which were adopted by Local Government in the United Kingdom on 1 April 2013.

Responsibility and reporting lines of the Chief Internal Auditor (Continued)

- 4.4 The Chief Internal Auditor also has a specific responsibility to the IJB's s95 Officer to provide assurances which informs the preparation of the Annual Governance Statement for inclusion in the IJB's Annual Report and Accounts.

The work of Internal Audit

- 4.5 Internal Audit is an independent appraisal function established by the IJB for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.6 In accordance with the principles of Corporate Governance, the Chief Internal Auditor reports with independence and impartiality to the IJB's Audit Committee on a regular basis. The Chief Internal Auditor prepares an annual report containing a view on the adequacy and effectiveness of the systems of internal controls.
- 4.7 The Internal Audit team operates in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme of work approved by the IJB's Audit Committee. The Annual Audit Plan is based on a formal risk assessment, which is revised on an ongoing basis to reflect emerging risks and changes within the IJB. The Internal Audit Annual Audit Plan for 2018/2019 was discussed and agreed at the Audit Committee on 11 September 2018.
- 4.8 All Internal Audit reports identifying system improvements or non-compliance with expected controls are brought to the attention of management and include recommendations for improvement and agreed Action Plans. It is management's responsibility to give proper consideration to Internal Audit reports and take appropriate action on audit recommendations. The Chief Internal Auditor is required to confirm that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and accepted the risks of not taking action. Management progress on implementing actions is reported to the IJB's Audit Committee at each committee cycle.

Responsibilities of Management and Internal Audit

- 4.9 It is Management's responsibility to maintain systems of risk management, internal control and governance.
- 4.10 Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.
- 4.11 Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

Basis of the internal audit assessment

- 4.12 In accordance with Guidance supporting the Public Sector Internal Audit Standards, the assessment on risk management, control and governance is based upon:
- Internal Audit work undertaken by the Internal Audit Team during the year to 31 March 2019 (in accordance with the annual audit plan approved by the Audit Committee);
 - The assessments of risk completed during the preparation and updating of the annual audit plan;
 - Reports issued by Internal Auditors for Inverclyde Council and the NHSGGC;
 - Reports issued by Audit Scotland, the IJB's External Auditors; and
 - Internal Audit's knowledge of the IJB's governance, risk management and performance monitoring arrangements.

Limitations on the assurance that Internal Audit can provide

- 4.13 It should be noted that the assurance expressed within this report can never be absolute. It is not a guarantee that all aspects of risk management, control and governance are adequate. The most that internal audit can provide to the s95 Officer and Audit Committee is reasonable assurance based on the work performed.
- 4.14 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of faulty judgment in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 4.15 Organisations and their internal control needs differ by type, size, culture and management philosophy. One organisation's internal control system may be very different from another's in relation to similar processes. Also, decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Satisfactory	<p>Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments. • None of the individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Generally Satisfactory with some improvement needed	<p>A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control. • Red rated issues that are isolated to specific systems or processes. • None of the individual assignment reports have an overall opinion of <i>Unsatisfactory</i>.
Major improvement needed	<p>Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A number of Red rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A small number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Unsatisfactory	<p>Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control. • A high number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.

Report To:	Inverclyde Integration Joint Board Audit Committee	Date:	10 September 2019
Report By:	Louise Long Corporate Director (Chief Officer) Inverclyde Health & Social Care Partnership	Report No:	IJB/60/19/LA
Contact Officer:	Lesley Aird	Contact No:	01475 715381
Subject:	ANNUAL REPORT TO THE IJB AND THE CONTROLLER OF AUDIT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019		

1.0 PURPOSE

1.1 The purpose of this report is to present the Annual Report and Auditors' letter to Integration Joint Board (IJB) Members for the financial year ended 31 March 2019 which has been prepared by the IJB's external auditors, Audit Scotland. Brian Howarth from Audit Scotland will be at the meeting to present the report.

2.0 SUMMARY

2.1 It is a statutory requirement of the accounts closure process that the IJB receives a letter (ISA260) from the appointed External Auditors highlighting the main matters arising in respect of prior years accounts.

2.2 There are a number of key appendices to the report:

- The Annual Report to the IJB from External Audit is attached at Appendix 1.
- The letter of representation from the Chief Financial Officer is enclosed at Appendix 2. This letter provides External Auditors with assurance regarding some of the key accounting requirements and assumptions utilised when closing the 2018/19 Accounts. From this letter, the IJB's External Auditors can arrive at a view when expressing an opinion as to whether the financial statement presented a true and fair view of the financial position of the Inverclyde IJB at 31 March 2019.
- A copy of the final 2018/19 Annual Accounts is also attached at Appendix 3.

2.3 The IJB reviewed the unaudited accounts and approved their submission to External Audit on 24 June. There were limited changes arising from the audit. The ISA 260 and Annual Report to the IJB are prepared by the IJB's External Auditors. It covers the nature and scope of the audit, details any qualifications, details of any unadjusted misstatements, details of any material weaknesses in the accounting and internal control systems, gives a view on the qualitative aspects of the accounting practices and any other matters specifically required to be communicated to the IJB.

2.4 The Chief Financial Officer, Chief Officer and the External Auditors will be present at the meeting to answer any questions members may have in regard to this paper.

2.5 The information provided is the culmination of a significant amount of work by Officers

and the IJB's External Auditors. Based on the reports presented today, the IJB are advised that the accounts closure process for 2018/19 has been of a high quality. This is a testament to the significant work by Officers and the positive working relationship with Audit Scotland.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Integration Joint Board Audit Committee:
1. Considers the contents of the Annual Report to the IJB and Controller of Audit for the Financial Year ending 31 March 2019.
 2. Recommends that the IJB authorises the Chair, Chief Officer and Chief Financial Officer to accept and sign the final 2018/19 Accounts on behalf of the IJB.
 3. Considers the Letter of Representation in Appendix 2 of the Annual Report and recommends that the IJB approves the signing of this by the Chief Financial Officer.

Louise Long, Chief Officer

Lesley Aird, Chief Financial Officer

4.0 BACKGROUND

- 4.1 All IJBs are required to submit draft accounts by 30 June each year with final, Audited Accounts required by 30 September.
- 4.2 It is a statutory requirement of the accounts closure process that the IJB receives a letter from the appointed External Auditors highlighting the main matters arising in respect of the prior year accounts. This letter, (ISA260), has been incorporated into the enclosed Annual Report to the IJB.
- 4.3 The IJB's External Auditors, Audit Scotland, have carried out the audit and the main matters arising are presented in their enclosed ISA 260 document. All relevant changes resulting from the ISA 260 have been reflected in the IJB's final Audited Accounts which are also attached, in Appendix 2.
- 4.4 The information provided to the IJB is the culmination of a significant amount of work by Officers and External Auditors who worked closely together to ensure the audit process has been as efficient as possible. The accounts closure process and subsequent audit have produced a high quality Annual Accounts. This is a testament to the significant work by Officers and their positive working relationship with Audit Scotland.

5.0 MAIN AREAS TO HIGHLIGHT

- 5.1 In respect of the Annual Accounts, it has been confirmed that the IJB has received an unqualified opinion on the financial statements for the financial year ended 31 March 2019 and that there are no unadjusted differences to report. Both these are very welcome and significant achievements.
- 5.2 Some minor presentational changes from the draft accounts were identified during the course of the audit and have been actioned.

6.0 IMPLICATIONS

6.1 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

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

HUMAN RESOURCES

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

EQUALITIES

6.4 There are no equality issues within this report.

6.4.1 Has an Equality Impact Assessment been carried out?

√

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.

6.4.2 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

Equalities Outcome	Implications
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

6.5 **CLINICAL OR CARE GOVERNANCE IMPLICATIONS**

There are no governance issues within this report.

6.6 **NATIONAL WELLBEING OUTCOMES**

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

National Wellbeing Outcome	Implications
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

7.0 DIRECTIONS

7.1	Direction Required to Council, Health Board or Both	Direction to:	
		1. No Direction Required	X
		2. Inverclyde Council	
		3. NHS Greater Glasgow & Clyde (GG&C)	
		4. Inverclyde Council and NHS GG&C	

8.0 CONSULTATION

- 8.1 This report has been prepared by the Chief Financial Officer of the IJB after due consultation with External Audit and the Chief Officer and input from the Finance teams of the Health Board and Inverclyde Council together with the Director of Finance for Greater Glasgow & Clyde NHS and the Chief Finance Officer for Inverclyde Council.

Inverclyde Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

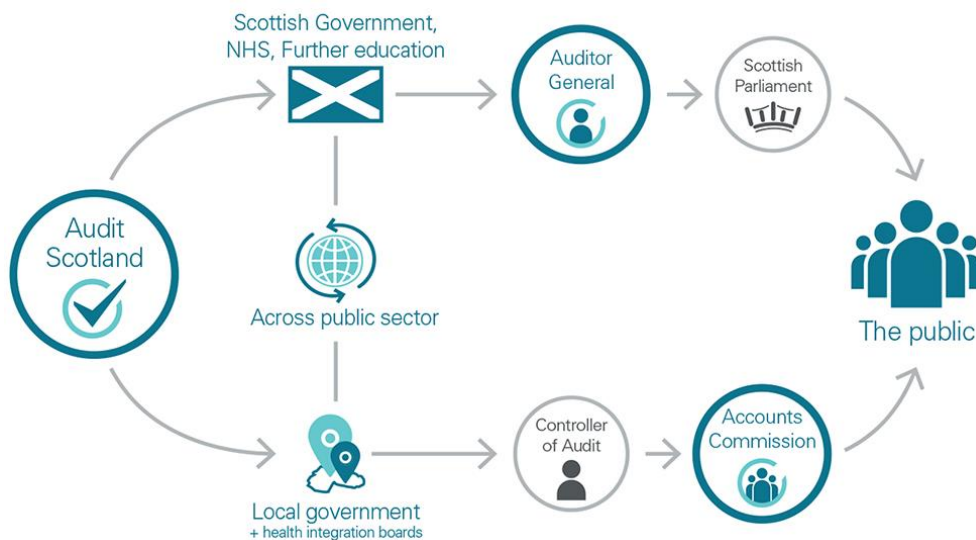
Prepared for Inverclyde Integration Joint Board and the Controller of Audit

10 September 2019

Who we are

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

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



About us

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

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

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

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Key messages

2018/19 annual report and accounts

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

Financial management and sustainability

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

Governance, transparency and value for money

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

Introduction

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

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

Adding value through the audit

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

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

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

Responsibilities and reporting

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

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

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

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

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

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

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

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

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

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

Part 1

Audit of 2018/19 annual accounts



Main judgements

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

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

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

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

16. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

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

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

We identified and addressed risks of material misstatement

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

Our materiality values were unchanged from our plans

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

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

Exhibit 2 Materiality values

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

Source: Audit Scotland, 2018/19 Annual Audit Plan

Set aside is based on significant estimates by a partner organisation

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



Recommendation 1

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

There were no misstatements requiring adjustment

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

Reasonable progress has been made with prior year recommendations

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

Part 2

Financial management and sustainability



Main judgements

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



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

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

Planned savings were delivered

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

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

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

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

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

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

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

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

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

Exhibit 3

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

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

Source: IJB Financial Monitoring Reports

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

Efficiency savings were achieved in 2018/19

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

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

The host bodies have sound systems of internal control

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

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

Internal audit arrangements are effective

35. The work of internal audit provides the IJB and the Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

36. The IJB's internal audit function is carried out by the internal audit department of Inverclyde Council. During our planning stage, we carried out a review of the adequacy of the internal audit function and concluded that it operates in

accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

37. In 2018/19 we did not place any formal reliance on internal audit reviews, however we did consider their work throughout the year for any potential impact on our work. There were no issues identified by internal audit that have had an impact on our audit of the IJB's annual accounts.

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

38. The IJB uses the financial systems of Inverclyde Council and NHS Greater Glasgow and Clyde (NHSGGC) and so arrangements for the prevention and detection of fraud, bribery and corruption in respect of the financial systems is the responsibility of these organisations.
39. We have received assurances from the auditors of NHSGGC and Inverclyde Council (in accordance with ISA 402) that there are no issues of concern.

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

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

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

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

Part 3

Governance, transparency and value for money



Main judgements

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



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

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

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

Governance arrangements are appropriate

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

The IJB conducts its business openly and transparently

48. Full details of the meetings held by the IJB are available on Inverclyde Council's website; committee papers and minutes of meetings are publicly available; and members of the public are permitted to attend and observe meetings. Public notice of each meeting is given on the council's website.
49. Financial information disclosed in the management commentary is consistent with both the financial statements and financial monitoring reports presented to the IJB throughout the year. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

A new Strategic Plan has been approved

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

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

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

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

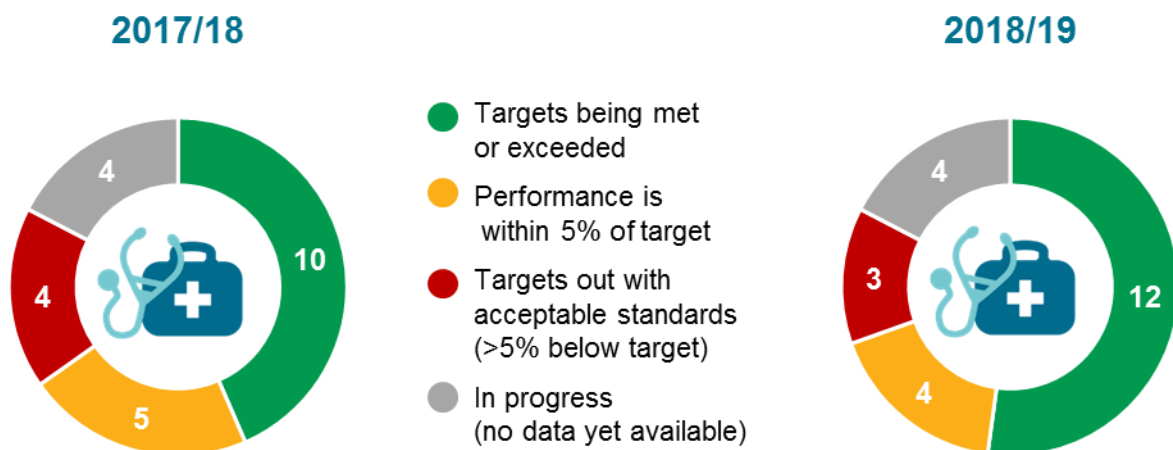
- 54.** When the six Greater Glasgow and Clyde Health Board Integration Joint Boards were created in April 2016, each Partnership was given a notional Set Aside budget for unscheduled care within Acute Services, based on 3-year historical usage
- 55.** The February 2019 Ministerial Strategic Group's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

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

Performance arrangements are effective, and performance is improving slightly

58. The IJB receives performance exception reports every six months. These reports highlight performance indicators that have been marked as red or amber and identify the corrective action that has been.
59. The HSCP's performance against the 23 National Core Integration Indicators, as reported in the 2018/19 Annual Performance Report is based on the most up-to-date position at the end of March 2019 (where data is available) and is summarised in Exhibit 8.

Exhibit 8 Overall performance against National core integration standards



Source: Inverclyde HSCP Annual Performance Reports

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

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

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

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

The IJBs performance assessment highlights areas of good practice

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

EU Withdrawal

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

National performance audit reports

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

Appendix 1

Action plan 2018/19



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

Follow up of prior year recommendations

b/f	<p>Provision of financial information by Council</p>	<p>The IJB should review its financial monitoring arrangements and work with partner organisations to ensure that timely information is available.</p>	<p>Partially complete - remaining elements not accepted</p> <p>The IJB considers this Complete. During 2018/19 a new process was introduced to ensure that the IJB had the most up to date financial information available for each meeting. Month end timelines and Committee Services publication schedules mean that there is always an unavoidable lag in written reporting to both the Council and the IJB. To address this for financial monitoring a verbal update was given at the January and March IJBs on</p>
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any significant variances since the current monitoring report was written. At the January IJB the update reflected the December 2018 position at the March IJB an update was given based on Feb 2019 information.

b/f	Long term financial planning	We recommend that a long-term financial strategy (5 years +) is prepared. This should include scenario planning (best, worst, most likely).	<p>Complete</p> <p>An updated Financial Plan 2019/20 to 2023/24 agreed by the Board in March 2019 aligns to the new 5-year Strategic Plan for the same period. The 5-year Financial Plan will be maintained on a rolling basis. The IJB consider that due to uncertainties around funding it is currently difficult to plan realistically beyond that timeframe.</p>
<hr/>			
b/f	Unallocated reserves	The Board should consider creating an uncommitted reserves balance in line with its reserve strategy.	<p>Complete</p> <p>The current level of reserves is £7.3m and this includes £1.01 million (0.75% of net expenditure) in unearmarked reserves, to meet unforeseen contingencies.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> • Obtain assurances from the auditors of Inverclyde Council and NHSGGC over the completeness, accuracy and allocation of the income and expenditure. • Complete detailed testing of significant adjustments at year end. • Agree balances and transactions to Inverclyde Council and NHSGGC financial reports / correspondence. 	<p>Results: We obtained relevant assurances from the auditors of Inverclyde Council and NHS GGC. We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>

Appendix 3

Summary of national performance reports 2018/19

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

Reports relevant to Integration Joint Boards

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

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

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

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

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

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

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

Inverclyde IJB

2018/19 Annual Audit Report

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Inverclyde IJB Audit Committee

10 September 2019

Inverclyde Integration Joint Board Audit of 2018/19 annual accounts

Independent auditor's report

1. Our audit work on the 2018/19 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 10 September 2019 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit Committee's consideration our draft annual report on the 2018/19 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Chief Finance Officer on aspects of the annual accounts, including the judgements and estimates made.

8. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Inverclyde Integration Joint Board and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Inverclyde Integration Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of Inverclyde Integration Joint Board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 18 July 2016. The period of total uninterrupted appointment is 5 years. I am independent of the integration joint board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the integration joint board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about integration joint board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Chief Financial Officer of Inverclyde Integration Joint Board audit committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the integration joint board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate. The Inverclyde Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report. In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth
Audit Director (Audit Services)
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT
10th September 2019

APPENDIX B: Letter of Representation (ISA 580)

Brian Howarth, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Brian

Inverclyde Integration Joint Board (IJB) Annual Accounts 2018/19

1. This representation letter is provided in connection with your audit of the annual accounts of Inverclyde IJB for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Inverclyde IJB, the following representations given to you in connection with your audit of Inverclyde IJB's annual accounts for the year ended 31 March 2019.

General

3. Inverclyde IJB and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Inverclyde IJB have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the IJB at 31 March 2019 and the transactions for 2018/19.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 accounting code, where applicable.

Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Inverclyde IJB's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Inverclyde IJB's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Inverclyde IJB's ability to continue as a going concern.

Liabilities

10. All liabilities at 31 March 2019 of which I am aware have been recognised in the annual accounts.
11. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in the 2018/19 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2019. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
12. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2019 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

14. I have provided you with all information in relation to
 - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

15. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

16. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 accounting code. I have made available to you the identity of all the Inverclyde IJB's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

17. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

18. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

19. I confirm that the IJB has undertaken a review of the system of internal control during 2018/19 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
20. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2019, which require to be reflected.

Balance Sheet

21. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Chief Finance Officer

Inverclyde Integration Joint Board

The Governing Body of the



**Audited Annual Accounts
2018/19**

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Management Commentary

Introduction

This publication contains the financial statements for the Inverclyde Integration Joint Board (IJB) for the year ended 31 March 2019.

The Management Commentary outlines the key messages in relation to the IJB's financial planning and performance for the year 2018/19 and how this has supported delivery of the IJB's core objectives. This commentary also looks forward, outlining the future financial plans for the organisation and the challenges and risks which we will face as we strive to meet the needs of the people of Inverclyde.

Inverclyde IJB

In Inverclyde we have an 'all-inclusive' health and social care partnership. The Inverclyde IJB has responsibility for the strategic commissioning (either planning or direct service delivery, or both) of the full range of health and social care services; population health and wellbeing, statutory health and social work/social care services for children, adults, older people and people in the community justice system. The IJB discharges this responsibility through its operational delivery arm, which is the Inverclyde Health and Social Care Partnership (HSCP).

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. From 1st April 2016, the IJB took formal delegated responsibility from the NHS Greater Glasgow and Clyde and Inverclyde Council for the delivery and/or planning of local health and social care services.

For some services this delegation of responsibility means the IJB taking full responsibility for planning, management and delivery of service provision, while for others – notably hospital based services and housing – this means planning with partners who continue to manage and deliver the services as part of wider structures (e.g. the Greater Glasgow & Clyde Acute Sector) or via external delivery agencies (e.g. Registered Social Landlords and Housing Associations).

Inverclyde is located in West Central Scotland along the south bank of the River Clyde. It is one of the smallest local authority areas in Scotland, home to 78,150 people and covering an area of 61 square miles. Our communities are unique and varied.

The IJB Strategic Plan 2019-24 outlines our vision for the Inverclyde Health & Social Care Partnership as well as our core objectives and services which are delivered through four core teams. The HSCP has worked hard during 2018/19 to develop and deliver the 6 Big Actions within the plan.

The IJB Strategic Plan is supported by an operational/implementation plan and a variety of service strategies, investment and management plans which aid day to day service delivery. These plans and strategies identify what the IJB wants to achieve, how it will deliver it and the resources required to secure the desired outcomes. The Strategic Plan also works in support of the Inverclyde Community Planning Partnership's Local Outcome Improvement Plan and the Greater Glasgow & Clyde Health Board Local Delivery Plan. It is vital to ensure that our limited resources are targeted in a way that makes a significant contribution to our objectives.

The Strategic Plan and other key documents can be accessed online at:

<https://www.inverclyde.gov.uk/health-and-social-care>

The operational HSCP Structure responsible for delivering services is illustrated below.

HSCP Operational Structure



The Annual Accounts 2018/19

The Annual Accounts report the financial performance of the IJB. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to us for the delivery of the IJB's vision and its core objectives. The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2018/19 Accounts have been prepared in accordance with this Code.

The Financial Plan

IJBs need to account for spending and income in a way which complies with our legislative responsibilities. For 2018/19 the IJB budgeted to deliver Partnership Services at a cost of £149.9m, including £16.4m of notional budget for Set Aside and £2.8m of spend through Earmarked Reserves. During the year funding adjustments and reductions in spend resulted in actual spend of £152.0m, including Set Aside and spend from Reserves, for the year. Funding rose during the year from a budgeted £147.1m to an actual £153.5m, the majority of the additional income was non-recurring. This generated a yearend surplus of £1.485m. The movement in budget vs actual and analysis of the surplus are shown in the tables on pages 7 and 8.

Critical Judgements and Estimation Uncertainty

In applying the accounting policies set out above, the IJB has had to make a critical judgement relating to the values included for set aside services. The set-aside figure included in the IJB accounts is based on acute hospital activity data provided in September 2018 and is based on 3 year average activity and cost data to 2016/17. As such, the sum set aside included in the accounts will not reflect actual hospital usage in 2018/19.

The IJB also has to make critical judgement relating services hosted within Inverclyde for other IJBs within the NHS Greater Glasgow & Clyde area. In preparing the 2018/19 financial statements the IJB is considered to be acting as 'principal', and the full costs of hosted services are reflected within the financial statements. The services which are hosted by Inverclyde are identified in the table below. This also shows expenditure in 2018/19 and the value consumed by other IJB's within Greater Glasgow and Clyde.

Host	Service	Actual Net Expenditure 2018/19	Consumed by other IJBs
Inverclyde	General Psychiatry	£5,477,833	£370,348
Inverclyde	Old Age Psychiatry	£3,152,932	£74,121
	Total	£8,630,765	£444,469

The services which are hosted by other IJB's on behalf of the other IJB's including Inverclyde are identified in the table below. This also shows expenditure in 2018/19 and the value consumed by Inverclyde IJB.

Host	Service	Actual Net Expenditure 2018/19	Consumed by Inverclyde IJB
East Dunbartonshire	Oral Health	£9,719,289	£602,167
	Total	£9,719,289	£602,167
East Renfrewshire	Learning Disability	£7,961,400	£176,320
	Total	£7,961,400	£176,320
Glasgow	Continence	£3,802,932	£283,176
Glasgow	Sexual Health	£10,164,132	£453,010
Glasgow	Mh Central Services	£6,027,304	£1,532,639
Glasgow	MH Specialist services	£11,345,743	£1,049,726
Glasgow	Alcohol + Drugs Hosted	£16,019,893	£531,967
Glasgow	Prison Healthcare	£6,905,286	£548,648
Glasgow	HC In Police Custody	£2,330,293	£182,617
Glasgow	Old Age Psychiatry	£17,870,028	£2,358
Glasgow	General Psychiatry	£37,675,266	£23,296
	Total	£112,140,877	£4,607,439
Renfrewshire	Podiatry	£6,563,080	£574,122
Renfrewshire	Primary Care support	£4,040,145	£266,961
Renfrewshire	General Psychiatry	£6,938,153	£0
Renfrewshire	Old Age Psychiatry	£6,330,739	£6,135
	Total	£23,872,117	£847,217
West Dunbartonshire	MSK Physio	£5,864,493	£427,227
West Dunbartonshire	Retinal Screening	£752,278	£56,721
West Dunbartonshire	Old Age Psychiatry	£1,107,840	£0
	Total	£7,724,611	£483,948
Total		£161,418,293	£6,717,091

Performance

The IJB and HSCP tracks change in need and demand, and delivery of the National Wellbeing Outcomes through its performance management arrangements. Every service undergoes a quarterly service review, chaired by the relevant Head of Service. Service use, waiting times and any other pressures are closely reviewed alongside progress against the service's key objectives and delivery of outcomes. Any divergence from the agreed strategic direction is quickly identified and steps are put in place to get the service back on track. If there are notable differences between the service's performance and what has been planned for, then these differences are reported to the IJB along with a summary of the reasons for the divergence, and an outline of the planned remedial action in cases where the divergence is negative. This is reported through Performance Exceptions Reports, and these continue to be produced and published on a six-monthly basis. The legislation requires that we follow a prescribed format of annual performance reporting against the nine

outcomes, based on 23 national indicators and a requirement to publish an annual performance report by 31st July. Inverclyde's Annual Performance Report 2018/19 was published 24 June 2019.

The IJB's 2018/19 Performance against the 23 National Indicators is shown in the table below:

↑ ↓	Performance is equal or better than the Scottish average
↑ ↓	Performance is close to the Scottish average
↑ ↓	Performance is below the Scottish average

National Integration Indicator	Time Period	Inverclyde HSCP	Scottish Average	Comparison
1* Percentage of adults able to look after their health very well or quite well	2017/18	91%	93%	↓
2* Percentage of adults supported at home who agreed that they are supported to live as independently as possible	2017/18	80%	81%	↓
3* Percentage of adults supported at home who agreed that they had a say in how their help, care, or support was provided	2017/18	77%	76%	↑
4* Percentage of adults supported at home who agreed that their health and social care services seemed to be well co-ordinated	2017/18	79%	74%	↑
5* Total % of adults receiving any care or support who rated it as excellent or good	2017/18	83%	80%	↑
6* Percentage of people with positive experience of the care provided by their GP practice	2017/18	83%	83%	↑
7* Percentage of adults supported at home who agree that their services and support had an impact on improving or maintaining their quality of life	2017/18	77%	80%	↓
8* Total combined percentage of carers who feel supported to continue in their caring role *While we are performing better than the Scottish average we are working to improve support to our carers	2017/18	40%	37%	↑
9* Percentage of adults supported at home who agreed they felt safe	2017/18	84%	83%	↑
10 Percentage of staff who say they would recommend their workplace as a good place to work		Indicator under development (ISD)		
11 Premature mortality rate per 100,000 persons	2017	567	425	↑

National Integration Indicator		Time Period	Inverclyde HSCP	Scottish Average	Comparison
12	Emergency admission rate (per 100,000 population)	2018/19	12851	11492	↓
13	Emergency bed day rate (per 100,000 population)	2018/19	135045	107921	↓
14	Readmission to hospital within 28 days (per 1,000 population)	2018/19	85	98	↓
15	Proportion of last 6 months of life spent at home or in a community setting	2018/19	88%	89%	↑
16	Falls rate per 1,000 population aged 65+	2018/19	21	22	↓
17	Proportion of care services graded 'good' (4) or better in Care Inspectorate inspections	2018/19	86%	82%	↓
18	Percentage of adults with intensive care needs receiving care at home	2016/17	63%	61%	↑
19	Number of days people spend in hospital when they are ready to be discharged (per 1,000 population) (age 75+)	2018/19	88	805	↓
20	Percentage of health and care resource spent on hospital stays where the patient was admitted in an emergency	2018/19	21%	22%	↓
21	Percentage of people admitted to hospital from home during the year, who are discharged to a care home		Indicator under development (ISD)		
22	Percentage of people who are discharged from hospital within 72 hours of being ready		Indicator under development (ISD)		
23	Expenditure on end of life care, cost in last 6 months per death		Indicator under development (ISD)		

The data presented against these National Integration Indicators is the most up-to-date as available from ISD in May 2019. Those marked with an * are taken from the 2017/18 biennial Health and Care Experience Survey (<http://www.isdscotland.org/Products-and-Services/Consultancy/Surveys/Health-and-Care-Experience-2017-18/>).

Financial Performance

Financial information is part of our performance management framework with regular reporting of financial performance to the IJB. This section summarises the main elements of our financial performance for 2018/19.

(a) Partnership Revenue Expenditure 2018/19

During the year the Partnership again successfully mitigated the full value of the inherited Health baseline budget pressure on Mental Health Inpatient services through a combination of measures, including: improved cost control and tighter absence management arrangements and planned one off underspends in other areas

to offset the remaining budget pressure. Monies were received in year from Scottish Government for Mental Health Action 15, ADP developments and Primary Care Improvement Planning. As projected, at the end of the year £0.333m of these funds remained unspent and was carried forward into specific Earmarked Reserves. Non recurring funding of £0.130m was received from the Health Board for Primary Care investment, this was also carried forward in an earmarked reserve. Also as projected, there was a core Health services underspend which totalled £0.249m. This related to delays in filling of vacancies during the year, this was also transferred to Earmarked Reserves for use in future years.

Partnership services saw continued demand growth with numbers of service users and cost per service user rising across a number of services. The Partnership was able to effectively manage this budget pressure in year and generate an overall surplus on social care services which was carried into Earmarked Reserves.

In previous years the Social Care budget has experienced a degree of short term volatility in certain demand led budgets. In order to address this any one off underspends on these budgets have been placed in Earmarked Reserves to cover any one off overspends in future years. In 2018/19 a net £0.380m was used from the Adoption, Fostering and Residential fund within Children & Families and £0.430m was added to the existing Earmarked Reserve for Older People Residential and Nursing Homes.

During the year £3.766m of Earmarked Reserves were used to fund specific spend and projects and an additional £5.251m was transferred into Earmarked Reserves, leading to a net increase of £1.485m in Reserves over the year.

Total net expenditure for the year was £152.053m against the overall funding received of £153.538m, generating a revenue surplus of £1.485m. This was made up as follows:

Analysis of Surplus on Provision on Services

	£000
Underspend on Children & Families and Criminal Justice	324
Underspend on Learning Disabilities early delivery of future years savings	282
Underspend on Older People services	572
Underspend on Business Support mainly due to turnover savings	207
Underspend on Mental Health Services due to delays in filling vacancies and	134
Underspend on Advice Services	43
Additional funding from the Council for Children & Families, Anti Poverty and Mental Health	688
Carry forward funding for Scottish Government Projects - Action 15, ADP	353
Additional funding from Health for Primary Care at yearend	130
Underspend on Addictions mainly due to delay in filling vacancies and early	153
Other services various minor underspends	72
Homelessness net underspend linked to reduction in bad debt provision	67
Spend through EMRs	(1,540)
Surplus on Provision of Services	1,485

All of the above has been taken to Earmarked reserves as detailed in note 7.

Budget agreed at Period 9 vs Final Outturn

Original Budget	IJB FUNDING	Projected Outturn @ P9	Outturn	P9 vs Actual Outturn
	Operational funding budget			
82,880	Health Board	87,402	87,446	44
47,795	Council	48,062	49,653	1,591
16,439	Set Aside	16,439	16,439	0
147,114	TOTAL IJB FUNDING	151,903	153,538	1,635
Original Budget	IJB NET EXPENDITURE	Projected Outturn @ P9	Outturn	Difference
	Operational net expend budget			
67,141	Health	70,254	70,680	426
63,534	Social Care	64,113	63,875	(238)
16,439	Set Aside	16,439	16,439	0
2,847	Movement on Earmarked Reserves (Decrease)/Increase	1,994	1,059	(935)
149,961	TOTAL IJB NET EXPENDITURE	152,800	152,053	(747)
(2,847)	Surplus/(Deficit) on Provision of Operating Services	(897)	1,485	2,382

(b) The Balance Sheet

The Balance Sheet summarises the IJB's assets and liabilities as at 31 March 2019, with explanatory notes provided in the full accounts.

Financial Outlook, Risks and Plans for the Future

The UK economy was showing signs of recovery with inflation and unemployment falling and growth taking place in a number of sectors. The imminent exit from the European Union has created some further, short and longer term, uncertainty and risk for the future for all public sector organisations.

Additional funding of £160m has been announced for Integration Authorities across Scotland for 2019/20 to address health and social care pressures. Despite this, pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted. In addition to economic performance, other factors influence the availability of funding for the public sector including demographic challenges that Inverclyde is facing.

The most significant risks faced by the IJB over the medium to longer term, reflected in the IJB risk register can be summarised as follows:

- Governance arrangements not being sufficiently effective in developing and delivering strategic objectives; and
- Financial sustainability around cost pressures and funding linked to unfunded/unanticipated/unplanned demand for services and/or partners being unable to allocate sufficient resources.

The Inverclyde IJB has responsibility for social care and a range of health services. The IJB is responsible for financial and strategic oversight of these services.

Moving into 2019/20, we are working to proactively address the funding challenges presented while, at the same time, providing effective services for the residents of Inverclyde. In March 2019 the IJB agreed a balanced budget which included a savings plan totalling £1.664m. All savings are expected to be delivered in full in 2019/20, in line with the IJB’s Medium Term Financial Plan.

We have well established plans for the future, and the IJB Strategic Plan 2019/20 to 2023/24 and 5 year Financial Plan were approved by the IJB in March 2019 these plans outlined the overarching vision and financial landscape for the coming years.



Following on from our last Strategic Plan we are still committed to “Improving Lives”, and our vision is underpinned by the “Big Actions” and the following values based on the human rights and wellbeing of:

- **Dignity and Respect**
- **Responsive Care and Support**
- **Compassion**
- **Wellbeing**
- **Be Included**
- **Accountability**

Big Action 1:
Reducing Health Inequalities by Building Stronger Communities and Improving Physical and Mental Health

Big Action 2:
A Nurturing Inverclyde will give our Children & Young People the Best Start in Life

Big Action 3:
Together we will Protect Our Population

Big Action 4:
We will Support more People to fulfil their right to live at home or within a homely setting and Promote Independent Living

Big Action 5:
Together we will reduce the use of, and harm from alcohol, tobacco and drugs

Big Action 6:
We will build on the strengths of our people and our community

Conclusion

In a challenging financial and operating environment the IJB has successfully overseen the delivery of its Strategic Plan objectives and the delivery of all core services while undertaking a significant change programme designed to provide a more person centred model of care, deliver on early intervention and prevention ambitions and free up efficiencies.

The new Strategic Plan, associated Implementation Plan and Medium Term Financial Plan will lead the IJB forward over the next 5 years and improve the lives of the people of Inverclyde.

Where to Find More Information

If you would like more information please visit our IJB website at:
<https://www.inverclyde.gov.uk/health-and-social-care>

Louise Long

Chief Officer

Date: 10 September 2019

Lesley Aird, CPFA

Chief Financial Officer

Date: 10 September 2019

Councillor Jim Clocherty

IJB Chair

Date: 10 September 2019

Statement of Responsibilities

Responsibilities of the IJB

The IJB is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that the proper officer of the board has the responsibility for the administration of those affairs. In this IJB, the proper officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003)
- Approve the Annual Statement of Accounts.

I confirm that the audited Annual Accounts were approved for signature at a meeting of the IJB on 10 September 2019.

Signed on behalf of the Inverclyde IJB

Councillor Jim Clocherty

IJB Chair

Date: 10 September 2019

Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the IJB's annual accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing these annual accounts, the Chief Financial Officer has:

- Selected appropriate accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the local authority Code (in so far as it is compatible with legislation)

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of Inverclyde IJB as at 31 March 2018 and the transactions for the year then ended.

Lesley Aird, CPFA

Chief Financial Officer

Date: 10 September 2019

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

1 Integration Joint Board

The voting members of the IJB were appointed through nomination by the Health Board and Council.

2 Senior officers

The IJB does not directly employ any staff in its own right. All HSCP officers are employed through either the Health Board or Council and remuneration for senior staff is reported through those bodies. Specific post-holding officers are non-voting members of the Board

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The Chief Officer, Louise Long, is employed by Inverclyde Council and seconded to the IJB and has been in post since 8 May 2017. The statutory responsibility for employer pension liabilities sits with Inverclyde Council as the employing partner organisation. There is therefore no pension liability reflected on the Inverclyde IJB balance sheet for the IJB's Chief Officer. The remuneration terms of the Chief Officer's employment are approved by the IJB.

Chief Financial Officer

The IJB Chief Financial Officer, Lesley Aird, is employed on a part time basis by NHS Greater Glasgow and Clyde. The Council and Health Board share the costs of this and all other senior officer remunerations.

Other officers

No other staff are appointed by the IJB under a similar legal regime. There are no other non-voting board members who meet the criteria for disclosure and require to be included in the disclosure below.

Salary, Fees & Allowances			Salary, Fees & Allowances
2017/18	Name and Post Title		2018/19
£			£
100,075	Louise Long (started 08 May 2017) Chief Officer		109,475
41,469	Lesley Aird (part time 0.5 WTE) Chief Financial Officer		45,500

There were no exit packages paid in either financial year.

3 Remuneration: IJB Chair, Vice Chair and Voting Members

The voting members of the IJB are appointed through nomination by Inverclyde Council and Greater Glasgow & Clyde Health Board. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The details of the Chair, Vice Chair and other IJB voting member appointments and any taxable expenses paid by the IJB are shown below.

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for voting members.

Voting IJB Members Remuneration Table

Name	Post(s) Held	Nominated By
Simon Carr	IJB Chair (until 24/06/19)	NHS GG&C
Councillor Jim Clocherty	IJB Vice Chair, Chair (from 24/06/19)	Inverclyde Council
Alan Cowan	IJB Member, Vice Chair (from 24/06/19) Vice Chair Audit Committee	NHS GG&C
Dr Donald Lyons	IJB Audit Committee Member	Member NHS GG&C
Dorothy McErlean	IJB Member	NHS GG&C
Councillor Jim MacLeod	IJB Member (until 06/11/18)	Inverclyde Council
Councillor Elizabeth Robertson	IJB Member (from 06/11/18)	Inverclyde Council
Councillor Ciano Rebecchi	IJB Member Chair Audit Committee	Inverclyde Council
Councillor Lynne Quinn	IJB Member Audit Committee Member	Inverclyde Council

There were no Inverclyde IJB specific expenses recorded for voting members of the IJB during 2018/19. Any expenses claimed by voting members are paid through the relevant IJB partner organisation.

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/18 £	For Year to 31/03/19 £		Difference from 31/03/18 £	As at 31/03/19 £
Louise Long Chief Officer since 08/05/2017	19,147	21,073	Pension	2,720	13,434
			Lump Sum	0	0
Lesley Aird Chief Financial Officer	5,187	5,342	Pension	710	2,119
			Lump Sum	0	0

The Chief Financial Officer was previously a member of the Strathclyde Pension Scheme but has opted not to transfer those benefits. The accrued pension benefit disclosed above therefore relates only to this current employment and pension.

Disclosure by Pay Bands

Pay band information is not separately provided as all staff pay information has been disclosed in the information above

Louise Long

Chief Officer

Date: 10 September 2019

Councillor Jim Clocherty

IJB Chair

Date: 10 September 2019

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 main features of the IJB's governance arrangements are described in the Local Code but are summarised below.

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 Greater Glasgow & Clyde Health Board 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 Greater Glasgow & Clyde Health Board, as well as non-voting members including a Chief Officer appointed by the Board.

The main features of the IJB's governance arrangements are described in the Local Code but are summarised below:

- 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 2018/19 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's purpose and vision are outlined in the IJB Strategic Plan which was approved and published on 19 March 2019 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 has a Code of Conduct based on the Model Code of Conduct for Integration Joint Boards. The register of members' interests is published and made available for inspection.
- The IJB has in place a development programme for all Board Members. The IJB places reliance on the organisational development activity undertaken through partnership organisations for senior managers and employees;

- 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, and will be subject to review in 2018.

The governance framework was in place throughout 2018/19.

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 2018/19 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 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 Annual Governance Statements 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 2018/19, 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 2018/19

The Internal Audit Annual Reports 2018/19 for the Council and Health Board identify no significant control issues. 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.

The Internal Audit Annual Report and Assurance Statement for 2018/19 concludes: “On the basis of Internal Audit work carried out in 2018/2019, the majority of the IJB’s established internal control procedures appeared to operate as intended to meet Management’s requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that some recommendations were made by Internal Audit to improve controls. The overall opinion is **Satisfactory**”.

Action Plan

Following consideration of adequacy and effectiveness of our local governance arrangements the IJB approved a local code of good governance on 20 March 2018. A number of actions were identified to enhance local governance and ensure continual improvement of the IJB’s governance, all of those actions have been delivered in full, as reported in the 2017/18 Annual Accounts.

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.

Louise Long

Chief Officer

Date: 10 September 2019

Councillor Jim Clocherty

IJB Chair

Date: 10 September 2019

The Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices.

2017/18			2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,648	(57)	2,591	3,520	(1,104)	2,416
29,037	(2,170)	26,867	29,302	(2,282)	27,020
11,326	(673)	10,653	12,157	(259)	11,898
6,048	(244)	5,804	6,862	(150)	6,712
9,381	(43)	9,338	9,017	(288)	8,729
13,453	(467)	12,986	14,353	(615)	13,738
2,885	(226)	2,659	3,376	(259)	3,117
3,488	(99)	3,389	3,464	0	3,464
8,239	(467)	7,772	8,548	(290)	8,258
4,233	(634)	3,599	4,951	(1,038)	3,913
1,959	(1,997)	(38)	1,932	(1,906)	26
1,689	(722)	967	1,442	(651)	791
22,660	(894)	21,766	26,528	(981)	25,547
18,817	0	18,817	18,591	0	18,591
1,236	0	1,236	1,133	0	1,133
208	0	208	261	0	261
137,307	(8,693)	128,614	145,437	(9,823)	135,614
16,439	0	16,439	16,439	0	16,439
153,746	(8,693)	145,053	161,876	(9,823)	152,053
0	(146,889)	(146,889)	0	(153,538)	(153,538)
153,746	(155,582)	(1,836)	161,876	(163,361)	(1,485)
		(1,836)			(1,485)

There are no statutory or presentation adjustments which affect the IJB's application of funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently and Expenditure and Funding Analysis is not provided in these annual accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

Movements in Reserves During 2018/19	General Reserves £000	Earmarked Reserves £000	TOTAL Reserves £000
Opening Balance at 31 March 2018	0	(5,796)	(5,796)
Total Comprehensive Income and Expenditure	0	(1,485)	(1,485)
Closing Balance at 31 March 2019	0	(7,281)	(7,281)

Balance Sheet

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB.

31 March 2018 £000		Notes	31 March 2019 £000
Current Assets			
5,820	Short term debtors	5	7,298
Current Liabilities			
(24)	Short term creditors	6	(17)
5,796	Net Assets		7,281
5,796	Reserves	8	7,281
5,796	Total Reserves		7,281

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2019 and its income and expenditure for the year then ended.

The audited financial statements were authorised for issue on 10 September 2019.

Lesley Aird, CPFA

Chief Financial Officer _____ **Date:** 10 September 2019

Notes to the Financial Statements

1. Significant Accounting Policies

1.1 General principles

The Inverclyde Integration Joint Board is formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. It was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. The Integration Scheme is a legally binding agreement between Inverclyde Council and NHS Greater Glasgow and Clyde.

Integration Joint Boards (IJB's) are specified as section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their financial statements in compliance with the Local Authority Accounts (Scotland) Regulations 2014 and the Code of Practice on Accounting for Local Authorities in the United Kingdom, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the IJB.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

The Annual Accounts summarise the IJB's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019.

1.2 Accruals of expenditure and income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms or conditions required to earn the income, and receipt of the income is probable
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet
- Where debts may not be received, the balance of debtors is written down

1.3 Funding

The IJB is primarily funded through funding contributions from the statutory funding partners namely Inverclyde Council and NHS Greater Glasgow and Clyde. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Inverclyde.

1.4 Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor in the IJB Balance Sheet.

1.5 Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken.

Charges from funding partners for other staff are treated as administration costs.

1.6 Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet, but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet, but is disclosed in a note only if it is probable to arise and can be reliably measured.

1.7 Events After The Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Annual Accounts are adjusted to reflect such events
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

1.8 Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the IJB's financial performance.

1.9 Related Party Transactions

As parties to the Inverclyde Integration Scheme both Inverclyde Council and NHS Greater Glasgow and Clyde are related parties and material transactions with those bodies are disclosed in Note 3 in line with the requirements of IAS 24.

1.10 Support services

Support services were not delegated to the IJB through the Integration Scheme and are instead provided by the Health Board and Council free of charge as a 'service in kind'. The support services provided are

mainly comprised of: provision of financial management, human resources, legal, committee services, ICT, payroll, internal audit and the provision of the Chief Internal Auditor.

1.11 Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. Inverclyde Council and Greater Glasgow & Clyde Health Board have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike Health Boards, the IJB does not have any 'shared risk' exposure from participation in Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

1.12 Clinical and Medical Negligence

The IJB provides clinical services to patients under the statutory responsibility of NHS Greater Glasgow and Clyde. In connection with this it is responsible for any claims for medical negligence arising within the services it commissions, up to a certain threshold per claim. For claims in excess of this threshold the Health Board and IJB are members of CNORIS established by the Scottish Government which reimburses costs to members where negligence is established.

The IJB would make provision for claims notified by the NHS Central Legal Office according to the value of the claim and the probability of settlement. Where a claim was not provided for in full the balance would be included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for would be recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

1.13 Reserves

Reserves are created by appropriating amounts out of revenue balances. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year so as to be included within the Income and Expenditure Statement. Movements in reserves are reported in the Movement in Reserves Statement. Reserves are classified as either usable or unusable reserves.

1.14 VAT

The VAT treatment of expenditure in the IJB's accounts depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where the Council is the provider, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as Income from the Commissioning IJB.

2 Taxation and Non-Specific Grant Income

31 March 2018 £000	Taxation and Non-Specific Grant Income	31 March 2019 £000
99,568	NHS Greater Glasgow and Clyde Health Board	103,885
47,321	Inverclyde Council	49,653
146,889	TOTAL	153,538

Health Board Contribution

The funding contribution from the Health Board above includes £16.439m in respect of 'set aside' resources relating to hospital services. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however, has responsibility for the consumption of, and the level of demand placed on, these resources.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

3 Related Party Transactions

The IJB has related party relationships with Greater Glasgow & Clyde Health Board and Inverclyde Council. In particular the nature of the partnership means that the IJB may influence, and be influenced by, its partners. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

31 March 2018 £000		31 March 2019 £000
	Transactions with NHS Greater Glasgow & Clyde	
(99,568)	Funding Contributions received	(103,885)
(1,865)	Service Income received	(2,151)
85,232	Expenditure on Services Provided	89,270
(16,201)	TOTAL	(16,766)
	Transactions with Inverclyde Council	
(47,321)	Funding Contributions received	(49,653)
(6,829)	Service Income received	(7,672)
68,515	Expenditure on Services Provided	72,605
14,365	TOTAL	15,280

31 March 2018 £000		31 March 2019 £000
	Balances with NHS Greater Glasgow & Clyde	
0	Debtor balances: Amounts due to the NHS	0
0	Creditor balances: Amounts due from the NHS	0
0	Net Balance with the NHS Board	0
	Balances with Inverclyde Council	
0	Debtor balances: Amounts due to the Council	0
5,820	Creditor balances: Amounts due from the Council	7,298
(5,820)	Net Balance with the Council	(7,298)

Key Management Personnel: The non-voting Board members employed by the Health Board or Council and recharged to the IJB include the Chief Officer, Chief Financial Officer, representatives of primary care, nursing and non-primary services, and staff representatives. Details of remuneration for some specific post holders is provided in the Remuneration Report.

4 IJB Operational Costs

31 March 2018 £000	Core and Democratic Core Services	31 March 2019 £000
152	Staff costs	194
32	Administrative costs	42
24	Audit fees	25
208	TOTAL	261

The cost associated with running the IJB has been met in full by NHS Greater Glasgow and Clyde and Inverclyde Council. For the 2018/19 Accounts this is combined within the gross expenditure for both partners.

5 Short Term Debtors

31 March 2018 £000	Short Term Debtors	31 March 2019 £000
5,820	Other local authorities	7,298
5,820	TOTAL	7,298

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

6 Short Term Creditors

31 March 2018 £000	Short Term Creditors	31 March 2019 £000
(24)	Other local authorities	(17)
(24)	TOTAL	(17)

7 Movement in reserves

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a general contingency.

2017/18		2018/19			
Balance at 31 March 2018 £000		To be used by	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
SCOTTISH GOVERNMENT FUNDING					
0	Mental Health Action 15	31/03/2020	0	98	98
0	Alcohol & Drug Partnerships	31/03/2020	0	235	235
EXISTING PROJECTS/COMMITMENTS					
43	Self Directed Support/SWIFT Finance Module	31/03/2020	0	0	43
26	Growth Fund - Loan Default Write Off	ongoing	1	0	25
49	Integrated Care Fund	ongoing	1,027	989	11
462	Delayed Discharge	ongoing	402	368	428
15	Veterans Officer Funding	-	15	0	0
69	CJA Preparatory Work	31/03/2020	57	100	112
22	Welfare Reform - HSCP	-	22	0	0
264	Service Reviews	31/03/2021	307	283	240
469	Primary Care Support	31/03/2020	469	241	241
55	Patient/Client Transport Coordinator Role	-	55	0	0
76	SWIFT Replacement Project	30/09/2019	49	0	27
66	LD - Integrated Team Leader	-	66	0	0
0	Rapid Rehousing Transition Plan (RRTP)	31/03/2020	0	30	30
0	Dementia Friendly Inverclyde	tbc once strategy finalised	0	100	100
340	Contribution to Partner Capital Projects	ongoing	307	112	145
152	Continuous Care	ongoing	193	716	675
TRANSFORMATION PROJECTS					
1,461	IJB Transformation Fund	ongoing	414	1,458	2,505
310	Mental Health Transformation	ongoing	0	0	310
BUDGET SMOOTHING					
1,112	Adoption/Fostering/Residential Childcare	ongoing	438	58	732
0	Advice Service Smoothing Reserve	ongoing		88	88
310	Prescribing	-	310	0	0
496	Residential & Nursing Placements	ongoing	700	430	226
5,796	Total Earmarked		4,831	5,306	6,271
UN-EARMARKED RESERVES					
0	General		0	1,010	1,010
5,796	TOTAL Reserves		4,831	6,316	7,281

The IJB's Prescribing and a portion of the Residential and Nursing Placements Budget Smoothing Reserves were transferred from Earmarked to Un-Earmarked Reserves as part of the 2018/19 Year End process.

8 Expenditure and Funding Analysis

31 March 2018 £000	Inverclyde Integration Joint Board	31 March 2019 £000
	HEALTH SERVICES	
21,570	Employee Costs	22,030
2	Property Costs	20
4,596	Supplies & Services	5,815
23,731	Family Health Service	25,547
18,817	Prescribing	18,394
16,439	Set Aside	16,439
(1,865)	Income	(1,171)
	SOCIAL CARE SERVICES	
27,203	Employee Costs	28,372
1,130	Property Costs	1,028
1,042	Supplies & Services	1,242
371	Transport	411
1,084	Administration	770
37,553	Payments to Other Bodies	40,568
(6,828)	Income	(7,672)
	CORPORATE & DEMOCRATIC CORE/IJB COSTS	
152	Employee Costs	194
32	Administration	42
24	Audit Fee	25
145,053	TOTAL NET EXPENDITURE	152,053
(146,889)	Grant Income	(153,538)
(1,836)	(SURPLUS) ON PROVISION OF SERVICES	(1,485)

9 External Audit Costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's Code of Audit Practice in 2018/19 are £25,000. There were no fees paid to Audit Scotland in respect of any other services.

10 Post balance sheet events

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period; otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

The Chief Financial Officer issued the unaudited Statement of Accounts on 24 June 2019. There have been no material events after the balance sheet date which necessitate revision of figures in the financial statements or notes thereto including contingent assets or liabilities.

The Annual Accounts were authorised for issue by the Chief Financial Officer on 10 September 2019. Events after the balance sheet date are those events that occur between the end of the reporting period and the date when the Statements are authorised for issue.

11 Contingent assets and liabilities

There are equal pay claims pending against both the Council and Health Board. Since the IJB is not the employer for any of the staff in question it is not financially liable for any amounts due.

12 New standards issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The IJB considers that there are no such standards which would have significant impact on its annual accounts.

Independent Auditor's Report

Independent Auditor's Report to the members of Inverclyde IJB and the Accounts Commission for Scotland

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Inverclyde Integration Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of Inverclyde Integration Joint Board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 18 July 2016. The period of total uninterrupted appointment is 5 years. I am independent of the integration joint board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the integration joint board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about integration joint board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Chief Financial Officer of Inverclyde Integration Joint Board audit committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the integration joint board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate. The Inverclyde Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report. In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth
Audit Director (Audit Services)
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT
10th September 2019

Report To: Inverclyde Integration Joint Board Audit Committee **Date:** 10 September 2019

Report By: Louise Long
Corporate Director (Chief Officer)
Inverclyde Health & Social Care Partnership **Report No:** IJBA/10/2019/AP

Contact Officer: Andi Priestman **Contact No:** 01475 712251

Subject: INTERNAL AUDIT - ANNUAL PLAN 2019-2020

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Internal Audit Annual Strategy and Plan for 2019-2020 for approval.

2.0 SUMMARY

- 2.1 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 2.2 The Chief Internal Auditor will prepare an annual internal audit plan which will be subject to consideration and approval by the IJB Audit Committee.
- 2.3 Internal Audit follows a risk-based approach and it is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk, previous audit findings and any other internal or external factors affecting the Inverclyde Integration Joint Board.
- 2.4 The proposed Internal Audit Annual Strategy and Plan for 2019-2020 are set out at Appendix 1.
- 2.5 The total budget for the Internal Audit Annual Plan for 2019-2020 has been set at 45 days. The Plan does not contain any contingency provision. Where there are any unforeseen work demands that arise eg. special investigations or provision of ad hoc advice, this will require to be commissioned as an additional piece of work which will be subject to a separate agreement.
- 2.6 The Public Sector Internal Audit Standards require that the annual audit plan should be kept under review to reflect any changing priorities and emerging risks. Any material changes to the audit plan will be presented to the IJB Audit Committee for approval.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Inverclyde IJB Audit Committee approves the Internal Audit Annual Plan for 2019-2020.

**Louise Long
Chief Officer
Inverclyde Integration Joint Board**

4.0 BACKGROUND

- 4.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 4.2 As stated in the IRAG (Integrated Resources Advisory Group) Guidance, it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.
- 4.3 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 4.4 The Chief Internal Auditor will prepare an annual internal audit plan which will be subject to consideration and approval by the IJB Audit Committee.

5.0 CURRENT POSITION

- 5.1 Internal Audit follows a risk-based approach and it is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk, previous audit findings and any other internal or external factors affecting the Inverclyde Integration Joint Board.
- 5.2 The proposed Internal Audit Annual Strategy and Plan for 2019-2020 is set out at Appendix 1.
- 5.3 The total budget for the Internal Audit Annual Plan for 2019-2020 has been set at 45 days. The Plan does not contain any contingency provision. Where there are any unforeseen work demands that arise eg special investigations or provision of ad hoc advice, this will require to be commissioned as an additional piece of work which will be subject to a separate agreement.
- 5.4 The Public Sector Internal Audit Standards require that the annual audit plan should be kept under review to reflect any changing priorities and emerging risks. Any material changes to the audit plan will be presented to the IJB Audit Committee for approval.

6.0 IMPLICATIONS

Finance

- 6.1 The work required to deliver the Annual Internal Audit Plan will be contained within the existing Internal Audit budget set by Inverclyde Council.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 Has an Equality Impact Assessment been carried out?

	YES
X	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.

How does this report address our Equality Outcomes?

Equalities Outcome	Implications
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

6.5 There are no direct clinical or care governance implications arising from this report.

National Wellbeing Outcomes

6.6 How does this report support delivery of the National Wellbeing Outcomes?

National Wellbeing Outcome	Implications
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

7.0 DIRECTIONS

7.1 Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	X
	2. Inverclyde Council	
	3. NHS Greater Glasgow & Clyde (GG&C)	
	4. Inverclyde Council and NHS GG&C	

8.0 CONSULTATIONS

8.1 Discussions have taken place with the Inverclyde IJB's Chief Officer and Chief Financial Officer in relation to the proposed annual audit plan coverage for 2019-2020.

8.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Inverclyde IJB.

9.0 LIST OF BACKGROUND PAPERS

9.1 None.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2019-2020

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The Chief Internal Auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations and priorities.
- 1.3 The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 1.4 The strategy shall be reviewed on an annual basis as part of the audit planning process.

2. Internal Audit Objectives

- 2.1 The definition of internal auditing is contained within the PSIAS as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 The primary aim of the internal audit service is to provide assurance services which requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 2.3 The internal audit service also provides advisory services, generally at the request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 2.4 The internal audit service supports the Inverclyde IJB's Chief Financial Officer in her role as Section 95 Officer.

3. Risk Assessment and Audit Planning

- 3.1 The internal audit approach to annual audit planning is risk-based and aligns with the IJB's Corporate Risk Register.
- 3.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Inverclyde IJB.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2019-2020**4 Service Delivery**

- 4.1 The provision of the internal audit service is through a directly employed in-house team.
- 4.2 In relation to the total staff days allocated to the 2019-2020 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. This spreadsheet is reviewed and updated each period by each member of staff against time charged to timesheets.

The operational plan is 45 days which will be resourced as follows:

Team Member

Audit Practitioner – 45

The Chief Internal Auditor does not directly carry out the assignments included in the annual audit plan but provides the quality review and delivery oversight of the overall plan. As such, no direct time is included within the plan. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.

- 4.3 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced. The internal auditor posts must also be CMIIA/CCAB or equivalent with previous audit experience.
- 4.4 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in personal training records for CPD purposes.
- 4.5 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the PSIAS. An annual declaration is undertaken by staff in relation to specific aspects of the Code.
- 4.6 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the IJB Chief Officer, HSCP Head of Service and HSCP Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.
- 4.7 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the Chief Financial Officer in the preparation of the Annual Governance Statement.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2019-2020

5 Proposed Audit Coverage 2019-2020

5.1 The proposed audit coverage is set out in the table below.

Audit Area	Planned Activity	Risk Register Reference
Budgetary Control	The audit will review the adequacy and effectiveness of arrangements in place to manage and report on the budget delegated to the IJB.	<p>IJB Risk 3a –Financial Sustainability/Cost Pressures (February 2019)</p> <p>Financial sustainability around unfunded/unanticipated/unplanned demand for services.</p> <p>Potential Consequences: IJB unable to deliver Strategic Plan objectives, reputational damage, dispute with Partners, needs not met, risk of overspend on Integrated Budget</p> <p>IJB Risk 3b - Financial Sustainability/Funding</p> <p>Partners unable or unwilling to allocate resources</p> <p>Potential Consequences: IJB unable to deliver Strategic Plan objectives, reputational damage, dispute with Partners, needs not met, risk of overspend on Integrated Budget.</p>
Integration Scheme Update – Readiness review	<p>The Inverclyde IJB integration scheme will be reviewed in 2020.</p> <p>Internal Audit will review the adequacy and effectiveness of the current scheme and make recommendations for improvement.</p>	N/A
Action Plan Follow Up	To monitor the progress of implementation of agreed internal audit action plans by management.	N/A
Audit Planning and Management	Review and update of the audit universe and attendance at IJB Audit Committee.	N/A
Internal Audit Annual Report	Annual report on 2019-2020 audit activity.	N/A
Total Staff Days		45

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2019-2020

6 Quality and Performance

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2019-2020 these have been set as follows:

Measure	Description	Target
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	100%
3. Audit Plan Delivery	Percentage of audits completed v planned.	100%
4. Audit Budget	Percentage of audits completed within budgeted days.	100%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
8. Staff compliance with CPD	Number of training hours undertaken to support CPD	40
9. Management engagement	Number of meetings with Chief Officer and Chief Financial Officer as appropriate	2 per year

- 6.3 Actual performance against targets will be included in the Internal Audit Annual Assurance Report for 2019-2020.