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**Report To:** Inverclyde Integration Joint Board      **Date:** 20 June 2016

**Report By:** Brian Moore  
Corporate Director (Chief Officer)  
Inverclyde Health & Social Care Partnership      **Report No:** IJB/35/2016/BM

**Contact Officer:** Lesley Aird      **Contact No:** 01475 712744

**Subject:** 2015/16 DRAFT ANNUAL ACCOUNTS

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to set out the proposed approach of the Inverclyde Integration Joint Board (IJB) to comply with its statutory requirements in respect of its annual accounts and to outline the main aspects to be contained in the draft 2015/16 accounts to the IJB which require to be submitted to the external auditor.

## **2.0 SUMMARY**

- 2.1 IJBs are specified as 'section 106' bodies in terms of the Local Government (Scotland) Act 1973, and consequently are expected to prepare their financial statements in compliance with the Local Authority Accounts (Scotland) Regulations 2014 (the regulations) and the Code of Practice on Accounting For Local Authorities in the United Kingdom.
- 2.2 The Scottish Government introduced the regulations to update the governance arrangements relating to the authorisation and approval of a section 106 body's annual accounts. This report outlines the IJB's proposed approach to comply with the regulations and presents the draft 2015/16 accounts.
- 2.3 The regulations require that unaudited accounts are submitted to the auditor no later than 30 June immediately following the financial year to which they relate.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Integration Joint Board:
1. Approves the proposed approach to complying with the Local Authority Accounts (Scotland) Regulations 2014;
  2. Notes the ongoing work in relation to the unaudited accounts for the Inverclyde Integration Joint Board for 2015/16; and
  3. Agrees that the unaudited accounts for 2015/16 be submitted to the auditor

## **4.0 BACKGROUND**

- 4.1 On 10 October 2014 the Local Authority Accounts (Scotland) Regulations 2014 came into force. The Scottish Government also provided additional guidance on the application of these regulations.
- 4.2 These regulations superseded the 1985 regulations and provide clearer definitions of the roles and responsibilities of Board Members and Officers in respect of the authorisation and approval of a section 106 body's annual accounts.
- 4.3 These regulations apply to any annual accounts with a financial year that begins from 1 April 2014 and therefore will govern the preparation of the IJB's 2015/16 annual accounts.

## **5.0 FINANCIAL GOVERNANCE AND INTERNAL CONTROL**

- 5.1 The regulations require the Annual Governance Statement to be approved by the IJB or a committee of the IJB whose remit includes audit and governance following an assessment of both the effectiveness of the internal audit function and the internal control procedures of the IJB.
- 5.2 The Audit Committee will consider the performance of internal audit and internal control procedures together with the Annual Governance Statement prior to inclusion in the unaudited annual accounts.

## **6.0 UNAUDITED ACCOUNTS**

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

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

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

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

- 8.1 The regulations require that the audited annual accounts should be considered and approved by the IJB or a committee of the IJB whose remit includes audit and governance having regard to any report made on the audited annual accounts by

the proper officer<sup>1</sup> or external auditor by the 30 September immediately following the financial year to which the accounts relate. In addition any further report by the external auditor on the audited annual accounts should also be considered by the IJB or committee of the IJB whose remit includes audit and governance.

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

## **9.0 2015/16 UNAUDITED ANNUAL ACCOUNTS**

- 9.1 The unaudited annual accounts for the Inverclyde IJB for 2015/16 have been drafted. Since functional and financial responsibility were not delegated to the IJB until 1<sup>st</sup> April 2016 the 2015/16 accounts, in line with LASAAC guidance, only reflect the costs of the Chief Officer, Chief Financial officer, the Audit Fee and costs incurred in preparing the Strategic Plan.
- 9.2 For 2015/16 the period of account for the IJB is from the date specified in the order establishing the IJB, 27<sup>th</sup> June 2015, to 31<sup>st</sup> March 2016. From this date resources required for IJB operation should be reflected in the accounts of the IJB. This includes a portion of the Chief Officer and Chief Financial Officers costs.
- 9.3 Integration Start Day is the date from which joint service delivery costs should be reflected in the IJB accounts as commissioning expenditure, and in local authority accounts as commissioning income and service expenditure. For Inverclyde this was agreed to be 1<sup>st</sup> April 2016, therefore out of the scope of the 2015/16 Annual Accounts. As a result, the Inverclyde IJB 2015/16 Accounts consist primarily of agreed partner funding contributions to the IJB and IJB running costs incurred since the establishment date. These are the costs of running (or operating) the IJB and are distinct from service commissioning expenditure.

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

- 9.4 LASAAC guidance provides examples of the types of costs which could be included in these circumstances:

<b>Costs</b>	<b>Proposed Approach for Inverclyde</b>
Costs of the IJB Chief Officer and Chief Financial Officer	20% of costs incurred have included from date of Establishment to reflect the proportion of IJB work only while functions and budgets are not yet delegated. VAT is chargeable on the CFO costs.
Financial Support Services (eg ledger, expenses processing etc)	Costs not included as these costs are being borne by the Council and NHS and services provided free of charge to the IJB at this time
Planning Services	Costs not included as these costs are being borne by the Council and NHS and services provided free of charge to the IJB at this time
Human Resource advice	Costs not included as these costs are being borne by the Council and NHS and services provided free of charge to the IJB at this time
Communication and Engagement costs	Minimal costs incurred in relation to the development of the Strategic Plan, these have been included in the 2015/16 annual accounts
Administrative Support (eg Accommodation, Records Management etc)	Costs not included as these costs are being borne by the Council and NHS and services provided free of charge to the IJB at this time
External Audit Fee	This cost will be accrued as part of the 2015/16 accounts process

- 9.5 The 2015/16 Unaudited Annual Accounts show a total expenditure position of £32k, funded in full by the Council and NHS.

## 10.0 IMPLICATIONS

### 10.1 Finance

There are no direct financial implications within this report.

One off Costs

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

Annually Recurring Costs / (Savings)

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

### Legal

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

## Human Resources

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

## Equalities

10.4 There are no equality issues within this report.

Has an Equality Impact Assessment been carried out?

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YES (see attached appendix)

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

## Repopulation

10.5 There are no repopulation issues within this report.

## 11.0 CONSULTATION

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

## 12.0 BACKGROUND PAPERS

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

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