

Inverclyde Council

2016/17 Annual Audit Report



 AUDIT SCOTLAND

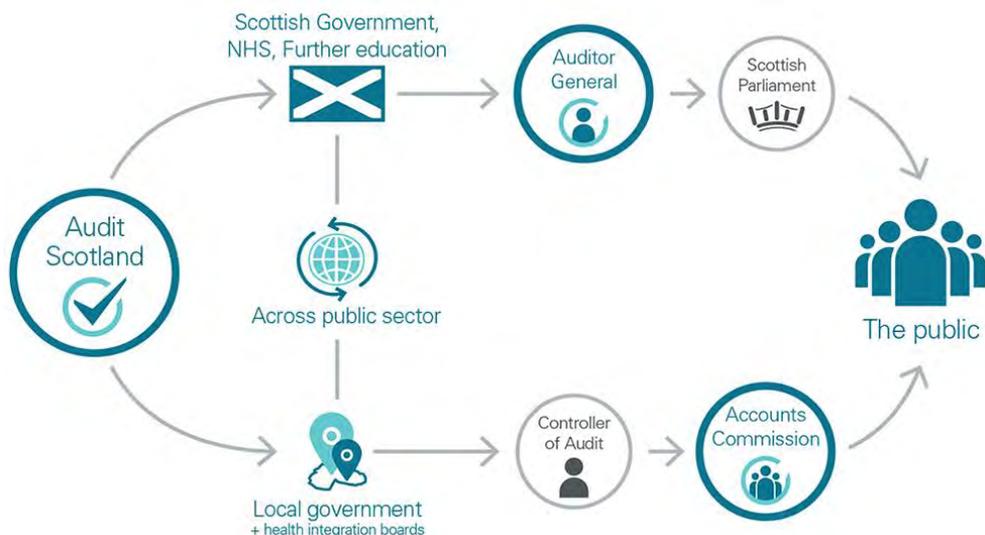
To Members of the Inverclyde Council and the Controller of Audit

28 September 2017

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

Audit of the 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.
- 2 Unqualified opinions were issued for the Lady Alice Shaw-Stewart Memorial Trust which is administered by the Council.
- 3 The common good revenue reserve was in a deficit position at the end of 2016/17 and the approved 2017/18 needs to be delivered to return the fund to surplus.

Financial management

- 4 The Council's financial management is effective, and it has a good medium to long-term financial strategy.
- 5 In the last three years, the Council has achieved in-year surpluses which exceeded its plan. This is mainly attributed to savings in centrally-held budgets as well as directorate savings.
- 6 Capital expenditure exceeded budget as a result of policies to accelerate capital spend.

Financial sustainability

- 7 The Council is financially resilient and has significant reserves for its size. These reserves have doubled over the last six years and will be reviewed. Reserves are now being used to meet short and medium-term budget pressures.
- 8 The Council has still to agree expected savings of £21.5 million over the period 2018-20. Councillors will need to take difficult decisions in the 2018/20 budget process based on savings options developed by officers. We understand that officers are in the process of reassessing the projected funding gap.
- 9 The level of unallocated reserves (£5.8 million) is £2.0 million more than the Council's policy of 2% of turnover (£3.8million).

Governance and transparency

- 10 The Council's governance arrangements are appropriate and support good governance and accountability.

Value for money

- 11 The Best Value Assurance Report highlighted that Inverclyde Council has shown improvement in the pace, depth and continuity of improvement since previous Best Value reports.
- 12 The East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee became effective from 1 November 2016 and demonstrates ongoing commitment to exploring different approaches to service delivery.
- 13 The Council has established good arrangements for monitoring the performance of Arms Length External Organisations and other external organisations.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of Inverclyde Council.
2. The scope of the audit was set out in our Annual Audit Plan presented to the February 2017 meeting of the Audit Committee. This report comprises:
 - an audit of the annual report and accounts
 - consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - an interim audit of the Council's main financial systems and governance arrangements
 - audit work covering the Council's arrangements for securing Best Value relating to financial management, financial sustainability and the use of resources
 - an audit of the Council's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions

4. Inverclyde Council is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.
5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.
6. As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within Inverclyde Council to manage its performance and use of resources such as money, staff and assets. Additionally, we report on the Council's best value arrangements. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
8. This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
9. Our annual audit report contains an action plan at [Appendix 1, \(page 28\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
12. We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

Part 1

Audit of 2016/17 annual report and accounts



Main judgements

Unqualified audit opinions on the Council's annual report and accounts.

The common good revenue reserve was in a deficit position at the end of 2016/17.

Finance staff provided good support to the audit team which assisted the delivery of the audit to deadline

Unqualified audit opinions

- 13.** The annual report and accounts for the year ended 31 March 2017 were approved by the Council on 28 September 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
 - unqualified opinions on the management commentary, remuneration report and annual governance statement.
- 14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Audit of charitable trusts administered by Inverclyde Council

- 15.** Due to the interaction of the Local Government in Scotland Act 1973 with the charities legislation, a full and separate audit and auditor's report is required for each registered charity where members of Inverclyde Council are sole trustees, irrespective of the size of the charity.
- 16.** At 31 March 2017 members of Inverclyde Council were the sole trustees of one registered charity, the Lady Alice Shaw-Stewart Memorial Trust. Our duties as auditors of the charitable trust administered by Inverclyde Council are to:
- express an opinion on whether the charity's financial statements properly present the charitable trust's financial position and are properly prepared in accordance with charities legislation
 - read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
 - report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator.
- 17.** We received the trust's accounts in line with the agreed timetable and after completing our audit we issued unqualified audit opinions in respect of the 2016/17 financial statements of the Lady Alice Shaw-Stewart Memorial Trust.

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

Submission of the Council's annual report and accounts for audit

18. We received the unaudited annual report and accounts on 29 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan. In 2016/17, for the first time, the Council's group accounts included the financial results of Inverclyde Integration Joint Board within its area.
19. The working papers provided with the unaudited report and accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

Risk of material misstatement

20. [Appendix 2, \(page 29\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and conclusions.

Materiality

21. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£2.8 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 25% of overall materiality.	£0.7 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality and has been capped at £0.1 million.	£0.1 million

Source: Inverclyde Council Annual Audit Plan 2016/17

22. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
23. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

How we evaluate misstatements

- 24.** There were two material adjustments to the 2016/17 unaudited financial statements arising from our audit. These are outlined below, and totalled £15.4 million. The adjustment in relation to Wellington Community Centre was identified as an isolated occurrence, while the adjustment to short term deposits was as a result of misclassification. While these errors breached our performance materiality, we did not consider it appropriate to undertake additional audit work due to the nature of the adjustments.
- **Wellington Community Centre** – As part of their internal review process, officers identified that capital expenditure on Wellington Community Centre had been incorrectly recognised as a council asset after the site had been transferred on a 99 year lease agreement to Inverclyde Association for Mental Health (IAMH). The net impact of this adjustment was to reduce the disclosure in the 2016/17 unaudited accounts by £0.8 million. We are satisfied that this error was an isolated occurrence. Officers have reviewed other similar arrangements and confirmed that no other adjustments are required.
 - **Short term deposits**– Our review of cash and cash equivalents identified that £14.6 million of deposits were in 95 and 120 day notice accounts. The Council's policy states that that cash equivalents '*are investments that mature in three months or less from the balance sheet date*'. These deposits did not meet this criteria and should have been classified as short term investments. Management have made the required adjustments in the audited accounts. The net impact of the misclassification is nil.
 - **Inverclyde Leisure** – The Council recognises its share of the surplus/deficit and net assets/liabilities of Inverclyde Leisure as an associate within the group financial statements. The Council's unaudited group accounts are based on information submitted by Inverclyde Leisure. Following the audit of Inverclyde Leisure's accounts by Welsh Walker Chartered Accountants both the surplus and net asset position were found to be under-stated. As a result, the Council's share of Inverclyde Leisure's surplus and net assets were both understated by £0.2 million. Management have made the required adjustments to the audited group accounts.
 - **Riverside Inverclyde** –The finalisation of the Riverside Inverclyde group accounts has been delayed following a decision by the directors of the joint venture James Watt Dock LLP to obtain a valuation of land and buildings. The external auditors, Scott-Moncrieff, are awaiting the outcome of this valuation, and are unable to comment on whether it will have a material impact on the group accounts of Riverside Inverclyde. The valuation will not have a material impact on the group accounts of Inverclyde Council.
- 25.** Additionally, the disclosure on the Comprehensive Income and Expenditure Statement (CIES) in the unaudited financial statements did not include gross expenditure or gross income relating to Inverclyde Integrated Joint Board. The net impact of this adjustment is nil, but gross expenditure and gross income both increased by £48.8 million.

Significant findings

- 26.** International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3, page 10](#) (where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1, page 28](#) has been included).

Going concern

27. The financial statements of the Council, its group and the associated charitable trust have been prepared on the going concern basis. The Council has tax raising powers and we are not aware of any significant change in government policy that might affect the continued provision of services. We concur with management's view that the going concern assumption remains appropriate.

Other findings

28. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

Exhibit 3

Significant findings from the audit of Inverclyde Council

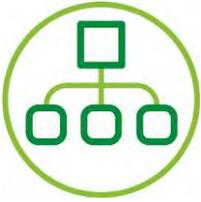
Issue	Resolution
<p>1. Inverclyde Common Good Fund</p> <p>At 31 March 2017 the Common Good Fund's revenue reserve was in a deficit position of £6,000.</p> <p>The sustainability of the common good fund was highlighted as a risk area by the previous external auditor. Current spending levels can no longer be sustained. Management must take corrective action to return the fund to a surplus position and to build up the minimum level of recommended reserves.</p>	<p>As part of the 2017/18 budget process the provision of Christmas parcels and lunches is now met by the general fund rather than the common good. This along with other minor changes means that the common good should be making a surplus of £26,000 per annum which would allow the fund to reach its target balance of £100,000 within the next five years.</p> <p>Councillors are also considering proposals for the sale of common good land which if approved would return the common good to its target balance in a shorter timeframe.</p> <p>Action plan (appendix 1, point 1)</p>
<p>2. Kilmacolm Primary School</p> <p>As part of the financial statements preparation, officers identified that a prior year revaluation to Kilmacolm Primary School had not been processed correctly. This resulted from the revaluation being charged against the wrong elements of a componentised asset. The net impact of the adjustment was to decrease the prior year disclosure for property, plant & equipment by £2.5 million.</p>	<p>The error was identified by officers prior to the preparation of the unaudited accounts. The adjustments were verified as part of our audit process, and are disclosed at note 36 within the audited accounts.</p>

Objections

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

Part 2

Financial management



Main judgements

The Council's financial management is effective, and it has a good medium to long-term financial strategy.

In the last three years, the Council has achieved in-year surpluses which exceeded its plan. This is mainly attributed to savings in centrally-held budgets as well as directorate savings.

Capital expenditure exceeded budget as a result of policies to accelerate capital spend, including the advancement of the school estate programme and the roads asset management plan.

Financial performance in 2016/17

30. In March 2016 the Council approved a budget of £190.2 million for 2016/17 and provisionally approved the 2017/18 revenue budget.
31. The Council has underspent in the last three years against its revenue budget ([Exhibit 4, page 12](#)). The main reasons for these underspends are lower than expected inflation (compared to assumptions in the budget) and accelerated savings in services including short-term vacancy management.
32. In September 2016, the Policy and Resources Committee agreed that any remaining funding gap in 2017/18 would be met from reserves. The Council agreed to use revenue reserves of £1.1 million to balance the 2017/18 budget and to set aside a further £3.5 million to fund approximately 33 per cent of the 2018/19 funding gap.
33. In his report to the Council's budget meeting in February 2017, the Chief Financial Officer highlighted the importance of councillors understanding that the proposed use of reserves to meet funding gaps is a short-term, one-off measure. He reported it justifiable on the basis of the level of reserves currently held by the Council and there will be a fundamental review of council services, eligibility criteria and charging policies over the next twelve months.

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

Efficiency savings

34. With reduced funding from government and increased demand for financial services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

Exhibit 4

Underspend and variance to planned underspend

Year	Total under / (over) spend (£m)	Underspend % of net expenditure	Planned under / (over) spend £m	Variance to plan (£m)
2012/13	5.4	2.4%	4.0	1.4 favourable
2013/14	(2.1)	(1.2)%	4.3	(6.4) adverse
2014/15	3.6	1.8%	1.8	1.8 favourable
2015/16	4.4	2.3%	2.6	1.8 favourable
2016/17	1.3	0.7%	0.0	1.3 favourable

Source: Audited annual accounts

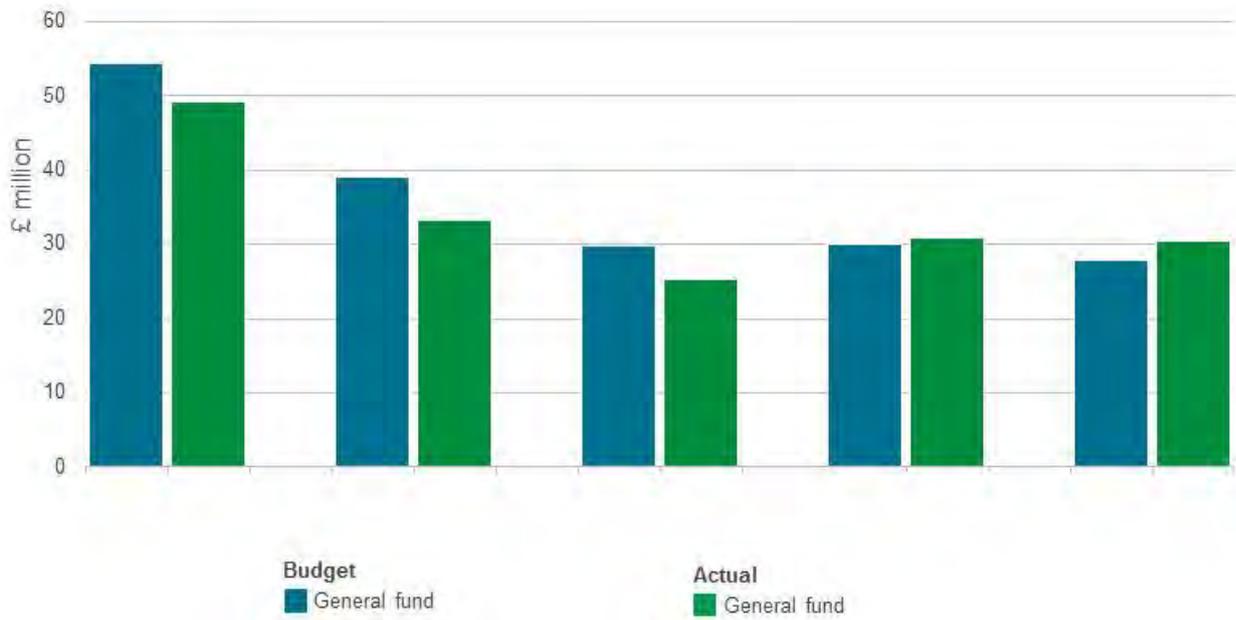
- 35.** The Council is required to make an annual return to the Scottish Government in respect of recurring efficiency savings. The Policy & Resources Committee routinely receives budget monitoring reports including savings plans which have been risk assessed.
- 36.** The total efficiency savings included in the Council's 2016/17 revenue budget were £2.5 million. The actual savings achieved were £2.6 million. This helps to reduce the financial pressures faced by the Council in 2017/18 when further efficiencies of £1.5 million are planned.

Capital programme 2016/17

- 37.** In 2016/17, overall capital spending was £29.0 million (2015/16 - £30.5 million). Funding of capital expenditure included £8.6 million from government grants (2015/16 - £16.1 million) and £1.1 million from receipts (2015/16 - £0.5 million). The Council did not finance any of its spend from current revenue in 2016/17 (2015/16 - £4.4 million), with the balance of £19.3 million being met through internal funding (2015/16 - £9.5 million).
- 38.** Capital spend was £2.6 million above budget. The Council has a history of slippage in its capital programme, however in 2015/16 it achieved net advancement of 3.0%, and in 2016/17 net advancement increased to 9.2% as outlined in [Exhibit 5](#). This is as a result of Council policies to accelerate capital spend including the advancement of the school estate programme and the roads asset management plan.

Exhibit 5

Capital slippage compared to budget (General Fund)



Source: Inverclyde Council – 2016/17 Capital Programme Performance

39. The Accounts Commission's '[local government in Scotland: financial overview 2015/16](#)' report highlighted a key treasury management decision for councils will be when to borrow rather than use cash reserves to fund projects. This will be influenced by councils' capital investment plans, the extent to which reserves are needed to support service spending as cost pressures increase, and whether any forecast change in interest rates makes external borrowing more attractive.
40. In its 2017-20 capital programme, the Council approved no new prudential borrowing on the basis that further increases to the cost of council debt servicing would place unnecessary strain on the Council's future budget. The Council will continue to use internal funding, supplemented by already approved limited long-term borrowing commitments.

Budgetary monitoring and control

41. The Council's approach to budget monitoring and control was reviewed in the Best Value Assurance Report (BVAR) published in June 2017. The Council has a well established process for setting and monitoring budgets, and uses a range of media for consulting with the public. Budget consultation is now routine and involves community meetings, feedback through the Council's website and the use of an online simulator. The Council's approach to budget management is to focus on pressure areas to help reduce future savings requirements.

Financial capacity within the Council

42. The Section 95 officer is the chief financial officer. He is a member of the corporate management team and has direct access to the chief executive and Council members. We concluded that the Section 95 officer has appropriate status within the Council.

43. The finance team is experienced, suitably qualified and provided a good level of support throughout the audit process. It has, however, decreased in size in recent years. As outlined at [paragraph 74](#) and in the BVAR, the Council is developing succession planning and would benefit from more detailed workforce plans. The finance team are actively involved in corporate projects to address these issues to ensure it is adequately resourced to meet future challenges.
44. With the recent Council elections there have been a number of new members elected. It is important that they receive adequate training on how the Council works and how it is financed if they are to exercise their scrutiny responsibilities effectively. The Council worked closely with the Improvement Service to produce guidelines and guidance for new councillors in their first few weeks in office, and on their roles and responsibilities. We reviewed the induction training and materials provided to new members and concluded that they were fit for purpose.

Internal controls

45. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
46. Our findings were included in our interim audit report that was presented to the Audit Committee on 22 August 2017. No significant issues were identified from our controls work which enabled us to proceed with our planned audit approach for the 2016/17 financial statements.
47. The Council's annual governance statement also states that the Chief Internal Auditor concluded 'that a reasonable level of assurance can be given that the system of internal control is operating effectively within the Council'.

Prevention and detection of fraud

48. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the Council's arrangements including policies and codes of conduct for staff and elected members, whistleblowing and fraud prevention.
49. The chief internal auditor assumed responsibility for the corporate fraud team in February 2016. This team is responsible for the detection and prevention of corporate fraud, including potential cases relating to council tax, blue badges, non domestic rates, school/nursery placements, procurement fraud, grants, insurance and licensing. Its area of responsibility can also cover the conduct of employees, councillors, contractors or members of the public in relation to allegations of fraudulent, corrupt or dishonest behaviour.
50. A section on corporate fraud activity is included in internal audit progress reports that are presented to each meeting of the audit committee. Based on the evidence reviewed by us, we concluded that the Council has adequate arrangements in place for the prevention and detection of fraud.

National Fraud Initiative

51. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.

Exhibit 7

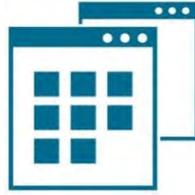
National Fraud Initiative

Total number of matches



3,608

Number recommended for investigation



520

Completed/closed investigations



1,824

Source: NFI website (as at 6 September 2017)

- 52.** NFI activity is summarised in [Exhibit 7](#) and highlights that the Council made good progress in investigating those matches issued to it at the end of January 2017 that were recommended for investigation. The NFI matches completed by 31 March 2018 will be the basis for the national NFI report.
- 53.** Inverclyde Council are pro-active in reporting NFI activity to the audit committee, with progress reported at each meeting through the internal audit progress report.

Part 3

Financial sustainability



Main judgements

The Council is financially resilient and has significant reserves for its size. These reserves have doubled over the last six years and will be reviewed. Reserves are now being used to meet short and medium-term budget pressures.

The Council has still to agree expected savings of £21.5 million over the period 2018-20 and officers have developed detailed savings options to enable this. Councillors will need to take difficult decisions based on these options in the 2018/20 budget process to ensure services are funded on a sustainable basis. We understand that officers are in the process of reassessing the projected funding gap.

The level of unallocated reserves (£5.8 million) is £2.0 million more than the Council's policy which states that unallocated reserves should not exceed 2% of turnover (£3.8 million).

Financial planning

- 54.** The BVAR on Inverclyde Council identified that the Council has a good process in place for financial planning. The Council's financial strategy covers the eight year period 2017/18 to 2024/25. It is updated on a six-monthly basis and ensures strategic initiatives that require long-term revenue and capital commitments such as the asset management strategy, school estates management plan and roads asset management plan are properly incorporated into the financial planning process.
- 55.** The strategy provides detailed financial forecasts over the period 2017 to 2020, and also identifies issues that will impact in the longer term so that the Council can plan ahead. Through this process, officers have identified that the Council needs to save £1.1 million in 2017/18 and an additional £21.5 million over the period 2018/20. This is a mid-range estimate. Optimistic and pessimistic scenarios for the 2018/20 period are £9.1 million and £32.8 million respectively. We understand that officers are in the process of reassessing the projected funding gap.

Funding position and savings plans

- 56.** The Council is facing a number of challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing cost of services and reductions in central government funding.

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

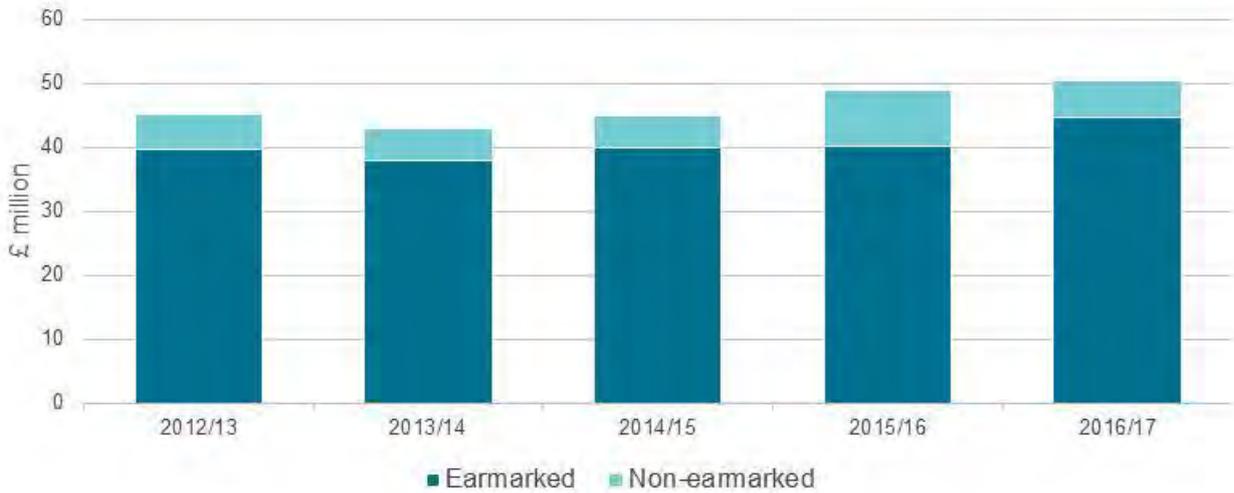
- 57.** The Council approved its 2017/18 budget in February 2017. The budget was set at £190.0 million with a funding gap of £1.1 million. The Council agreed that this deficit would be funded from reserves in advance of the local elections in May 2017. As detailed at [paragraph 33](#), the chief financial officer highlighted that the use of reserves to meet funding gaps is a short-term, one-off measure.
- 58.** Looking at the Council's budget information/financial projections for 2018/19 and 2019/20, the Council is forecasting funding gaps of £10.8 million and £10.7 million respectively based on the mid-range scenario. The Council's financial strategy, as outlined at [paragraph 54](#), will support the Council in planning for these efficiencies, and officers have developed detailed savings proposals for consideration by elected members. These proposals provide options totalling approximately £20 million and are based around service reduction, service withdrawal and income generation. Councillors will need to make difficult choices in setting the 2018/19 budget.

Reserves

- 59.** As highlighted in the BVAR, the Council's level of usable reserves as a percentage of net revenue streams increased from 23 per cent in 2011/12 to 30 per cent in 2015/16, and in 2016/17 usable reserves increased by a further £1.3 million to £60.0 million which is 31 per cent of the net revenue stream for the year.
- 60.** The relatively high level of reserves compared to annual budget has enabled the Council to deliver medium to long-term strategies, fund one-off costs and smooth its core revenue budget requirement. The Council's reserves policy was updated in September 2016 and includes governance arrangements for the creation and management of reserves.
- 61.** £9.5 million of usable reserves are held in statutory reserves (capital fund, insurance fund and repairs and renewals fund) with £50.5 million in the general fund reserve. The general fund reserve is the largest reserve. This reserve has no restrictions on its use, and its main purpose is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows.
- 62.** The earmarked element of the general fund increased by £4.3 million in 2016/17 to £44.7 million. As identified in the BVAR, there are a number of significant earmarked reserves within this that the Council has maintained over many years and these are not always clearly distinguished as capital or revenue in nature. A detailed review of earmarked reserves is to be undertaken with the new council as part of the 2018-20 revenue budget development.
- 63.** [Exhibit 9, page 18](#) provides an analysis of the general fund reserve over the last five years split between earmarked and non-earmarked reserves. It shows a gradual increase in the general fund since 2013/14, and also that the level of non-earmarked reserves reduced from £8.8 million in 2015/16 to £5.8 million in 2016/17 despite the overall increase.
- 64.** The Council reviews the level of its uncommitted reserves when setting the budget each year. The Council's approved reserves strategy specifies that non-earmarked reserves should be 2 per cent of annual turnover. The non-earmarked general fund balance at 31 March 2017 (£5.8 million) is £2.0 million in excess of this. The Council has noted in its management commentary to the annual accounts that it will consider uses for this excess as part of the 2018-20 revenue budget.

Exhibit 9

Analysis of general fund over last five years



Source: Inverclyde Council audited annual accounts

Asset management

- 65.** As identified in the BVAR, the Council has invested significantly and improved its schools and roads infrastructure in recent years. The Council has invested over £250 million on its school estate over the last 11 years as part of its school estate management plan (SEMP).
- 66.** Over this period, the Council has rationalised its school estate with a net reduction of 12 primary schools (from 32 to 20) and a net reduction of two secondary schools (from eight to six) with two of the remaining six secondary schools co-located within a shared campus.
- 67.** One of the prime objectives of the SEMP is to have all schools as category A (good) or B (satisfactory) for condition. In 2007, Scottish Government statistics show that 77 per cent of primary schools and 88 per cent of secondary schools in Inverclyde were rated in condition C (poor), with 75 per cent of additional support needs schools in condition C or condition D (very poor). These statistics have improved significantly, with the whole of Inverclyde's school estate across primary, secondary and additional support need sectors currently in category A or B.
- 68.** As outlined at [paragraph 54](#), the Council's financial strategy ensures strategic initiatives that require long-term revenue and capital commitments such as the asset management strategy, SEMP and the roads asset management plan are properly incorporated into the financial planning process.

Treasury management

- 69.** As detailed in the BVAR, the Council's total borrowing at 31 March 2017 was £274.5 million, a reduction of £7.5 million from the previous year. Long term liabilities relating to the schools PPP finance lease also reduced over this period from £65.8 million to £64.0 million.
- 70.** In line with the Council's Treasury Management Strategy for 2016/17, no new borrowing was undertaken during the year, and total external debt (which includes the Council's long term liabilities) was in line with the Council's treasury management strategy. The current borrowing position is prudent and the Council will continue to consider the affordability of future borrowing.

Appraisal of service delivery options

71. The BVAR highlighted evidence of a supportive culture that encourages innovation and new ideas. The Council does not, however, have a separate improvement programme run by a central team. A previous separate transformation programme with external consultants was not successful and the Council has learned from this experience. The Council believes that services should be responsible for improvement within their areas, rather than it being identified and led by a central team without detailed knowledge of how the services operate.
72. The 'Delivering Differently in Inverclyde' programme, Inverclyde Council's plan for changing and modernising its services to deliver better, more efficient services at a lower cost, considers various options including further shared services; sourcing services externally; transferring the library service to a leisure trust; and expanding the digitalisation of services.
73. However, the Council believes these activities will not be enough to close the funding gap outlined at [paragraph 58](#) and it will need to continue to focus on a programme of reducing, charging for or stopping services. The BVAR noted that in the absence of a central programme, it is important that all these activities are prioritised, managed and monitored. The Council has recognised this and is implementing change management groups for each of the three directorates to undertake this activity. These groups will report back to the corporate management team. We will continue to monitor developments in this area.

Workforce planning

74. The BVAR highlighted that the Council has an overarching workforce strategy and is developing succession planning. The strategy sets out key workforce planning actions for 2017 to help the Council manage the workforce implications required to deal with the projected funding gap.
75. The Council estimates that to address the estimated funding gap it will need to reduce staff by a further 175-300 full time equivalents (FTEs) over the next two years. This is equivalent to between 5.1% and 8.7% of the total workforce (FTEs). The Council has already reduced the number of FTEs by 507 over the last seven years, but will need to accelerate the pace of staff reduction to meet this target.
76. The Council has recently indicated that it is looking for expressions of interest in relation to voluntary early release. The Council has also acknowledged that longer-term forecasts need to be developed, and that it would benefit from having more detailed workforce plans to support the workforce and financial strategies.

Part 4

Governance and transparency



Main Judgements

The Council's governance arrangements are appropriate and support good governance and accountability.

The Council's internal audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

Leadership

- 77.** The BVAR highlighted improvements in the strategic leadership of the Council in recent years. The Council's corporate management team (CMT) meets on a weekly basis, and comprises the chief executive, three corporate directors, the chief financial officer (s95 officer), the head of legal and property services and the head of organisational development, human resources and communications. An extended corporate management team meets on a monthly basis including all other heads of service.
- 78.** The Council's directorate structure has helped increase corporate working. There is consistency between directorates, both in terms of business processes, such as service planning and staff appraisal, and in terms of a shared vision.
- 79.** The Council has been run by either a minority or coalition administration over the last 10 years, and a minority administration was again elected following the local elections in May 2017. Our Best Value Assurance Report identified that councillors demonstrate they work together to make strategic decisions that provide the best possible services for local people. Discussion at committees focus on the main issues, and councillors are able to make effective decisions on committee business. The cross-party Members Budget Working Group and Strategic Leadership Forum have been re-established following the local elections.

Governance arrangements

- 80.** The Council is required to establish governance arrangements to ensure that its business is conducted in accordance with law and proper standards, that public money is safeguarded and that the adequacy and effectiveness of these arrangements is monitored.
- 81.** The standing orders and scheme of administration were updated in September 2016. It sets out the committee structure that operates and the terms of reference for each committee.
- 82.** We reviewed the governance arrangements for the Council. In our view the Council's governance arrangements are appropriate and support good governance and accountability.

Management commentary, annual governance statement and remuneration report

- 83.** The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- 84.** Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements and our knowledge of the Council.

Internal audit

- 85.** Internal audit provides senior management and elected members with independent assurance on the Council's overall risk management, internal control and corporate governance processes.
- 86.** The internal audit function is carried out internally. 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.
- 87.** To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed formal reliance on internal audit's financial system and fraud risk reviews of non domestic rates. We also considered internal audit report findings in a range of areas as part of our wider dimension work.

Transparency

- 88.** Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using resources such as money, people and assets.
- 89.** The evidence that demonstrates the Council's commitment to transparency includes:
- Members of the public can attend meetings of the full Council and other committees and the agenda, papers and minutes of these committee meetings are readily available on the Council's website.
 - The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and how to make a complaint.
 - The website provides details of the citizen's panel and how to join it as a means of influencing future service delivery arrangements.
 - The Council also makes its annual accounts, and the annual accounts of all subsidiaries, available on its website

- 90.** Information on how Inverclyde Council is performing is publicly available on the performance page of its website. Information is gathered from statutory performance indicators, local government benchmarking framework indicators and other sources and is presented in corporate and service-level summaries. The site provides access to useful one-page graphic snapshots
- 91.** Overall, we concluded that the Council conducts its business in an open and transparent manner.

Integration of health and social care

- 92.** Legislation to implement health and social care integration, passed by the Scottish Parliament in February 2014, came into force on April 1, 2016. This brings together NHS and local council care services under one partnership arrangement for each area.
- 93.** In December 2015, we published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms have the scope to address barriers to providing the right care for people closer to home, however we recognised the significant challenges including complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. We will carry out a second audit in 2018 to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for impact on the lives of local people.
- 94.** The Inverclyde Integration Joint Board (IJB) is provided in partnership with NHS Greater Glasgow and Clyde and became fully operational on 1 April 2016. Inverclyde has had a strong Community Health and Care Partnership (CHCP) since 2010 when it was established as an enhanced partnership arrangement between the Council and health board. The CHCP partnership arrangement included reporting to both the Council and the health board, joint planning, allocated aligned budgets and integrated staff and practice development. Our local scrutiny plans previously commented on the strong base for integration provided by the CHCP, and our 2016/17 plan highlighted that this had allowed benefits to be realised on the transition to an IJB.
- 95.** The IJB is therefore well placed to meet the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

Local scrutiny plan

- 96.** The Local Area Network (LAN) of scrutiny partners comprises representatives of all scrutiny bodies who engage with the Council. The 2017/18 Local Scrutiny Plan (LSP) prepared by the LAN for the Council was finalised in May 2017. It was presented to the Audit Committee in June 2017. The LAN did not identify any new scrutiny risks which would require specific scrutiny work during 2017/18. The Council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

Equalities

- 97.** The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

98. We reviewed the key Council documents including the 'mainstreaming report, progress on equality outcomes and equal pay report 2017' and 'equality outcomes 2017-21'. We have concluded that the Council has met its statutory duty to report:

- progress made in mainstreaming equality within the Council
- progress made towards achieving equality outcomes published in 2013
- annual employee information and details of the progress made in gathering and using information to better meet the duty
- updated gender pay gap information.

99. We concluded, on the basis of evidence reviewed, that the Council is proactive in ensuring that equality is mainstreamed.

Part 5

Value for money



Main judgements

The BVAR highlighted that Inverclyde Council has shown improvement in the pace, depth and continuity of improvement since previous Best Value reports.

The East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee became effective from 1 November 2016 and demonstrates ongoing commitment to exploring different approaches to service delivery.

The Council has established good arrangements for monitoring the performance of Arms Length External Organisations and ensuring compliance with the Code of Guidance on funding external bodies and following the public pound

Best Value

- 100.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a BVAR for each council will be considered by the Accounts Commission at least once in this five year period. Inverclyde Council was the first to receive a review under the revised Best Value arrangements, with their BVAR report published on 1 June 2017. References to the BVAR report findings are included within the relevant sections of this report.
- 101.** The BVAR report highlighted that Inverclyde Council has shown improvement in the pace, depth and continuity of improvement since previous Best Value reports. The report's findings note that 'service improvement driven by targeted investment and based on good use of performance information underlines this positive direction and indicates a culture of performance management within the Council.
- 102.** The report findings also reference a clear long-term vision and effective leadership by elected members and senior officers, together with a strong commitment to working in partnership with other public bodies and local communities. The report does, however, acknowledge the challenges involved in improving outcomes for the people of Inverclyde, and highlights the need for improved workforce planning.
- 103.** At its meeting in June 2017, the Council agreed the improvement actions within the BVAR and that a progress report will be submitted to Policy and Resources Committee every six months, with an update due to go to committee in February 2018. We will continue to monitor the Council's progress against the improvement actions.

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

Shared services

- 104.** The Accounts Commission and Auditor General have highlighted the benefits to the people who use council services, communities and public sector organisations of working well together. The Accounts Commission's recent report, [Local government in Scotland: Performances and Challenges 2017](#), however, identified limited evidence of councils collaborating or sharing services.
- 105.** In June 2016, Inverclyde Council approved the establishment of the East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee. The committee became effective from 1 November 2016 and established a governance framework for the potential sharing of services. It will consider any business cases developed to pursue this objective in due course.
- 106.** The BVAR noted that establishing the joint committee demonstrates the Council's ongoing commitment to pursuing different approaches to delivering services, and that the Council's goal is to find the most effective and efficient way to deliver its priorities for the local community. We will continue to monitor developments with the shared service initiative.

Community engagement

- 107.** The BVAR identified good examples of how the Council has involved the community in planning its services. The Inverclyde Alliance Community Engagement Strategy 2008-2018 forms the basis for how the Alliance partners work with and involve local communities and third-sector organisations, such as local voluntary groups. It provides a clear indication of the importance the Council and partners give to involving communities.

Methods used to engage with communities range from the traditional to innovative, encouraging participation from a wide spectrum of the community. There is clear evidence of community engagement findings feeding into strategies and helping partners form priorities. For example the Health and Wellbeing survey results clearly feed into the Inverclyde Carer and Young Carer strategy while the Youth Council has informed the recent Youth Participation Strategy.

Following the public pound

- 108.** Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.
- 109.** The Council has well-developed arrangements in place for its governance of arms length external organisations (ALEOs). The Council has a controlling interest in two ALEOs (Inverclyde Leisure Limited and Riverside Inverclyde Limited), and monitors the performance of a number of bodies that receive significant financial support from public funds. A governance framework was agreed in 2011 and introduced a risk-based approach for monitoring these organisations. This developed over a number of years, and takes account of relevant guidance including the Accounts Commission's ['ALEOs: are you getting it right?' report](#).
- 110.** As part of this framework, a scoring matrix is used in which ALEOs receive points based on factors including:
- the amount paid by the Council
 - the proportion of turnover funded by the Council
 - the nature of the payment

- council representation at ALEO meetings.

111. The level of oversight required is determined by the number of points assessed using the scoring matrix. ALEO reports are presented in line with the governance framework to the relevant service committee throughout the year. These reports provide updates and assurances in terms of performance and governance, while an annual report is presented to the policy and resources committee.

112. We concluded that the Council has established good arrangements for monitoring the performance of ALEOs and ensuring compliance with the Code of Guidance on funding external bodies and following the public pound.

Performance management

113. The Council's performance management arrangements were considered in the BVAR issued in June 2017. We identified overall performance has improved in recent years, but the Council needs to demonstrate more clearly the link between planned activity and outcomes.

114. The BVAR also noted evidence that the Council has used self-evaluation consistently with clear links to improvement plans. Services use the Public Services Improvement Framework (PSIF), but can also use other frameworks.

Overview of performance targets

115. The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

116. The most recent [National Benchmarking Overview Report 2015/16](#) by the Improvement Service was published in February 2017 and covered the 2015/16 reporting period.

117. Overall, the Council's performance is getting better. In 2015/16, the performance of 68 per cent of its indicators was in the top two quartiles. A number of indicators changed between 2011/12 and 2015/16. Over this period, the percentage of comparable performance indicators in the top two quartiles improved from 39 per cent to 61 per cent. The Council has maintained its performance in the top quartile. The improvement comes from increases in performance in indicators that were in the third and fourth quartiles, moving to the second quartile.

Statutory performance indicators (SPIs)

118. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

119. For 2016/17 two (SPIs) were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving Best Value
- SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

120. Overall we concluded that the Council's arrangements for publication are satisfactory.

National performance audit reports

121. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Council. These are outlined in [Appendix 3](#).

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

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
10	<p>1. Common Good Fund</p> <p>At the end of 2016/17 the fund's revenue reserve was in a deficit position of £6,000. This is below the recommended minimum surplus of £100,000.</p>	<p>Current spending levels can no longer be sustained. Management must take corrective action to return the fund to a surplus position and to build up the minimum level of recommended reserves.</p>	<p>As part of the 2017/18 budget process the provision of Christmas parcels is now met by the general fund rather than the common good. This along with other minor changes means that the common good should be making a surplus of £26,000 per annum which would allow the fund to reach its target balance of £100,000 within the next five years.</p> <p>Councillors are also considering proposals for the sale of common good land which if approved would return the common good to its target balance in a shorter timeframe.</p> <p>Chief Financial Officer March 2018</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 opinion on the financial statements.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>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 the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of significant management estimates and evaluation of the impact of any variability in key assumptions. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. 	<p>Results – We did not identify any significant issues within our work on journals or accounting estimates. Our testing of accruals and prepayments did not identify any errors and there were no significant transactions outside the normal course of business.</p> <p>Conclusion – No issues were identified that indicate management override of controls.</p>
<p>2 Risk of fraud over income and expenditure</p> <p>ISA 240 presumes a risk of fraud over income which is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice</p> <p>Inverclyde Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud. Particular areas of concern include council tax, non domestic rates and income from sundry debtors. The risk of fraud over expenditure also applies due to the variety and extent of expenditure made by the Council in delivering services.</p>	<ul style="list-style-type: none"> • Analytical procedures on income and expenditure streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk. • Review of National Fraud Initiative arrangements and results. • Review of Housing Benefit and Council Tax Reduction payments. 	<p>Results – We did not identify any significant issues in our testing of income and expenditure controls and transactions or from our work on National Fraud Initiative matches.</p> <p>Conclusion – No fraud issues were identified.</p>
<p>3 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement</p>	<ul style="list-style-type: none"> • Completion of ‘review of the work of an expert’ for the professional valuer. • Focused substantive 	<p>Results – Inverclyde Council conducts a revaluation programme every five years. The most recent review took place in</p>

Audit risk	Assurance procedure	Results and conclusions
<p>and valuation of the material account areas of non current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>testing of provisions focusing on the appropriateness of the valuation.</p>	<p>2015/16. Our substantive testing of provisions found that they were appropriately valued.</p> <p>Conclusion – No issues identified with the valuation of material account areas.</p>
<p>4 Highways network assets (HNA)</p> <p>HNA are to be recognised for the first time in the 2017/18 financial statements of all councils. While this is not a risk to the 2016/17 financial statements, this is a new and complex area and there is a risk that Inverclyde Council does not have sound arrangements in place to support adoption in 2017/18.</p>	<ul style="list-style-type: none"> Assess the arrangements in place to obtain the required knowledge and expertise to implement the new requirements. Review and assess the valuation methodology for HNA to ensure that it is in accordance with the Code of practice on the highway network assets. 	<p>Results – At its meeting in March, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of HNA into the financial reporting requirements for council's.</p> <p>Conclusion – No requirement to recognise HNA in the accounts.</p>
<p>5 Group accounting</p> <p>Inverclyde Council has a group which requires the consolidation of a range of associates into the financial statements. For 2016/17 this also includes consolidating the Inverclyde Integration Joint Board.</p> <p>Inverclyde Council has taken the decision not to consolidate its Common Good and Trust Fund balances on the basis of materiality.</p> <p>The group arrangements lead to a risk over the accuracy and completeness of the group accounts.</p>	<ul style="list-style-type: none"> Review the group boundary assessment undertaken by the Council. Detailed coverage during the financial statements audit in accordance with ISA 600. 	<p>Results – We did not identify any issues from our review of the Council's group boundary assessment. Assurances were obtained from component auditors in accordance with our planned audit approach.</p> <p>Conclusion – The accounts are not materially misstated.</p>
<p>6 Revised financial statement formats</p> <p>From 2016/17 the Code requires authorities to present their service segments on the face of the Comprehensive Income and Expenditure Statement (CIES) based on the way in which they operate and manage services. There is a risk that comparative 2015/16 data may not be presented correctly.</p>	<ul style="list-style-type: none"> Review work done on mapping prior year disclosures in the revised CIES to the 2015/16 audited accounts. 	<p>Results – Our audit work on the restructuring of the CIES confirmed that the new disclosure was complete and accurate and that the categorisation was consistent with internal reporting.</p> <p>Conclusion – No issues identified with the restructuring of the CIES except for inconsistency across Scottish Authorities. We believe there is further scope to review implementation across Scotland during 2017/18.</p>
<p>7 Loans Fund Accounting</p> <p>The Local Authority (Capital Finance and Accounting)</p>	<ul style="list-style-type: none"> Review the arrangements in place to comply with the new loans fund accounting 	<p>Results – We did not identify any significant issues in our testing of loans fund arrangements and</p>

Audit risk	Assurance procedure	Results and conclusions
<p>(Scotland) Regulations 2016 came into force on 1 April 2016. The Regulations set out the powers of local authorities to borrow and maintain a loans fund and result in a change in accounting treatment from 2016/17. There is a risk that Inverclyde Council do not have arrangements in place to comply with the new accounting practices.</p>	<p>requirements.</p> <ul style="list-style-type: none"> Detailed audit testing of loans fund transactions within the financial statements. 	<p>transactions.</p> <p>Conclusion – No issues were identified from our audit work.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>8 Financial planning</p> <p>Inverclyde Council has a long term financial plan covering the period 2016 to 2024. This is based on financial assumptions and is informed by scenario planning. While the Council has made progress in financial planning, financial challenges are unlikely to reduce and budget gaps are still to be addressed for the short and medium term. For 2017/18 the forecast funding gap will be mostly met from reserves, with decisions on proposed efficiency savings being deferred until after the local elections in May 2017.</p>	<ul style="list-style-type: none"> Undertake specific audit work on financial planning and governance as part of the Best Value Assurance Report (BVAR). This will include assessing the robustness of long term financial planning. Review of the Council's progress in achieving its planned savings. 	<p>Results – The Inverclyde BVAR assessed the robustness of the Council's long term financial planning and its progress in achieving its planned savings.</p> <p>Conclusion. – Long term financial planning was found to be good, and the Council has exceeded its planned savings targets in each of the last three years.</p>
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Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update  Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review  Managing new financial powers: an update

Local government relevant reports

[South Ayrshire Council: Best Value audit report](#) – June 2016

[The National Fraud Initiative in Scotland](#) – June 2016

[Maintaining Scotland's roads: a follow-up report](#) – August 2016

[Social work in Scotland](#) – September 2016

[Angus Council: Best Value audit report](#) – October 2016

[How councils work – Roles and working relationships in councils](#) – November 2016

[Local Government in Scotland: Financial overview 2015/16](#) – November 2016

[Falkirk Council: Best Value audit report](#) – December 2016

[East Dunbartonshire Council: Best Value audit report](#) – December 2016

[Local Government in Scotland: Performance and challenges 2017](#) – March 2017

Inverclyde Council

2016/17 Annual Audit Report

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