

Inverclyde Integrated Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Inverclyde Integrated Joint Board and the Accounts Commission

12 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

2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.
- 2 Unaudited information submitted to NHS Greater Glasgow and Clyde for consolidation purposes was revised after the agreed deadline for submission. This resulted in an unadjusted error in the audited accounts of the Health Board.

Financial management

- 3 Financial reporting throughout the year was not representative of the final outturn position as it did not include the creation or transfer of earmarked reserves. The financial monitoring presentation should be revised for 2017/18 to more accurately reflect the anticipated outturn position.
- 4 The IJB achieved an underspend of £4.0 million in 2016/17. This is a strong position for the first year of operation. The underspend has been retained by the IJB with all reserves being earmarked for use in 2017/18.

Financial sustainability

- 5 A total funding gap of £2.2 million was identified within the indicative budget for 2017/18. Savings of £2.0 million were approved however the balance of savings (£0.2 million) was still to be identified. This will be superseded by IJB budget proposals in September 2017.
- 6 It is important that the IJB prioritises long term financial planning to demonstrate financial sustainability and support future developments.

Governance and transparency

- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.
- 8 Risk management arrangements have been finalised and are now being implemented with regular reporting to committee

Value for money

- 9 The Joint Board should undertake a periodic and evidence based formal review of its performance against the Scottish Government Best Value framework.
- 10 For 2016/17, Inverclyde performed above the Scottish average in 13 out of the 19 (68%) national core integration indicators that are currently active and considered itself to be close in four (21%) of the indicators.

Introduction

1. This report is a summary of our findings from the 2016/17 audit of Inverclyde Integrated Joint Board, hereby referred to as the 'IJB'. The report is divided into sections which reflect our public sector audit model.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit Committee. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated 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 IJB's governance arrangements
 - obtaining service auditor assurances from the auditors of NHS Greater Glasgow and Clyde (NHGG&C) and Inverclyde Council (IC)
 - an audit of the IJB's 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions.
4. The IJB is responsible for preparing the annual accounts that show a true and fair view, and for establishing effective arrangements for governance which enable them to successfully deliver their objectives.
5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

- 6.** These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance and use of resources. 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 \(2016\)](#) and supplementary guidance.
- 8.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 23\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 9.** Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 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 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 Board and the Accounts Commission 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-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Unaudited information submitted to NHS Greater Glasgow and Clyde for consolidation purposes was revised after the agreed deadline for submission. This resulted in an unadjusted error in the audited accounts of the Health Board.

Unqualified audit opinions

- 13.** The annual accounts for the year ended 31 March 2017 were approved by the Board on 12 September 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
 - unqualified opinions on the remuneration report, management commentary and the 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.

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

Submission of annual accounts for audit

- 15.** We received the unaudited annual accounts on 26 June 2017, in line with our agreed audit timetable.
- 16.** The IJB submitted the information required for consolidation purposes to NHS Greater Glasgow and Clyde within the agreed timetable. Following submission, however, we identified an error in the consolidation relating to the presentation of accumulated reserves transferred to the IJB by Inverclyde Council. The reserves had not been reflected through the comprehensive income & expenditure statement (CIES), and the IJB's surplus on the provision of services was consequently understated. This resulted in an unadjusted error in the audited accounts of NHS Greater Glasgow and Clyde.
- 17.** The preparation of the annual accounts for the IJB relies on the provision of information from the systems of Inverclyde Council and NHS Greater Glasgow and Clyde. Assurances were received by the IJB's Chief Financial Officer from Inverclyde Council and NHS Greater Glasgow and Clyde confirming the completeness and accuracy of the information received from these organisations.

18. The working papers provided with the unaudited annual accounts were of a good standard and the Chief Financial Officer provided effective support to the audit team.

Risks of material misstatement

19. [Appendix 2 \(page 25\)](#) 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 dimension risks, how we addressed these and conclusions.

Materiality

20. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.
21. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited annual accounts and is summarised in [Exhibit 2](#).

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.	£1.6 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 75% of overall materiality.	£1.2 million
Reporting threshold - 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.	£80,000

Evaluation of misstatements

22. There were no misstatements that had an impact on the unaudited annual report and accounts.

Significant findings

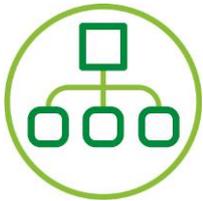
23. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA 260.

Other Findings

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

Part 2

Financial management



Main judgements

Financial reporting throughout the year was not representative of the final outturn position as it did not include the creation or transfer of earmarked reserves. The financial monitoring presentation should be revised for 2017/18 to more accurately reflect the anticipated outturn position.

The IJB achieved an underspend of £4.0 million in 2016/17. This is a strong position for the first year of operation.

The underspend has been retained by the IJB with all reserves being earmarked for use in 2017/18.

Financial management

25. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.
26. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the Chief Financial Officer has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - IJB members provide a good level of challenge and question budget holders on significant variances.
27. The Chief Financial Officer was in post throughout the accounting period, and is responsible for ensuring that appropriate financial services are available to the IJB and the Chief Officer.
28. The IJB receives regular financial monitoring reports which are clear and concise, outlining expenditure against budget in the delivery of the range of health and social care services described within the IJB's strategic plan.

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

29. As detailed in [Exhibit 3](#), the IJB was forecasting a small overspend in its financial reporting to period 7, with a projected underspend of £0.1 million forecast at period 9. The audited accounts at the year end disclosed a surplus on the provision of services for the year of £4.0 million. An analysis of this surplus is set out in paragraph 36.

Exhibit 3

Financial Monitoring reports showing projected outturn for over/underspends

	Year end forecast £m
August 2016 (period 5)	(0.1)
October 2016 (period 7)	(0.2)
December 2016 (period 9)	0.1
Accounts as at March 2017	4.0

Source: Financial Monitoring Reports taken to IJB

30. Financial monitoring reports presented to the Board during 2016/17 included an income and expenditure statement that did not take into account the expected creation of reserves, or the transfer of accumulated reserves from the council, when projecting the year-end result. While these reserves were detailed in other appendices within the monitoring reports, the value of the year end surplus (£4.0 million) was not clear until the unaudited annual accounts were presented to the IJB audit committee in August 2017.
31. We recognise the IJB faces unique challenges in setting and managing its budget, particularly relating to timing differences between the council and health board in approving their own budgets. We also understand that budget projections are subject to variance, and that this has been more challenging for the IJB due to it being the first year of operation. This should not, however, prevent management from presenting a best estimate of the projected year-end position to the Board throughout the year.

[Action Plan \(Appendix 1, point 1\)](#)

32. The integration scheme and financial regulations set out the arrangements between the partners in relation to addressing any over or under spends. They provide the opinion that unplanned or windfall underspends should be returned to the relevant party in year through an adjustment to the contributions or retained by the IJB to be carried through to the general fund in accordance with the reserves policy.
33. The budget and outturn are summarised in [Exhibit 4](#) on the next page. The in-year underspend has been retained by the IJB with all reserves being earmarked for use in 2017/18.

Financial performance in 2016/17

34. The IJB does not have any assets, nor does it directly incur expenditure or employ staff. All funding and expenditure for the IJB is incurred by partners' bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report the financial information to the IJB.

35. As noted previously, the IJB achieved an underspend of £4.0 million for 2016/17. This was as a result of unspent inherited earmarked reserves (£2.4 million); a carry-forward of money allocated through the Social Care Fund (£1.3 million); and an underspend on social care expenditure (£0.3 million). The surplus has been taken to the reserves, where the full amount has been earmarked. A budget summary for the year is shown in [Exhibit 4](#).

Exhibit 4

Budget summary

IJB budget objective summary	Budget £m	Actual £m	Variance £m
Health expenditure	87.2	87.7	0.5
Social care expenditure	60.2	59.9	(0.3)
Inherited Earmarked Reserves	4.5	2.1	(2.4)
Social Care Fund	1.5	0.2	(1.3)
Total Net Expenditure	153.4	149.4	(3.5)
Additional in-year funding received from NHS Greater Glasgow and Clyde			(0.5)
Surplus to be retained by the IJB			4.0

Source: Inverclyde Integration Joint Board

36. The £4.0 million surplus on the provision of services is analysed in [Exhibit 5](#) and includes reserves that were transferred by Inverclyde Council to the IJB in-year. In total the council transferred £4.5 million of earmarked reserves and at the year-end £2.4 million remained unspent. A total of £1.3 million has also been carried forward for specific social care funded projects. The IJB's strategy for managing its reserves is considered at paragraph 42.

Exhibit 5

Analysis of surplus on the provision of services 2016/17

	£m
Inherited earmarked reserves from Inverclyde Council	1.541
Underspend on children & families	0.376
Physical disability year-end adjustment	(0.005)
New ways	0.220
Residential & nursing placements	0.250
Social Care Fund – agreed projects for carry forward	1.301
Surplus on social care services	0.277
Surplus on the provision of services – 2016/17	3.960

Source: Inverclyde Integration Joint Board

Internal controls

- 37.** As external auditor of the IJB, we sought assurances from the external auditors of NHS Greater Glasgow and Clyde and Inverclyde Council (in accordance with ISA 402) to confirm that there were no weaknesses in the systems of internal control within the health board and council.
- 38.** No issues or weaknesses that would have a material impact on the IJB were identified and we have concluded that there is a sound system of internal control in place over the processing of IJB transactions.

Part 3

Financial sustainability



Main judgements

A total funding gap of £2.2 million was identified within the indicative budget for 2017/18. Savings of £2.0 million were approved however the balance of savings (£0.2 million) was still to be identified. This will be superseded by NHS budget proposals in September 2017.

It is important that the IJB prioritises long term financial planning to demonstrate financial sustainability and support future developments.

The 'Inverclyde Health and Social Care Partnership People Plan 2017-20' sets out how the IJB aims to support, develop and grow the capacity and ability of all those who contribute to the delivery of health and social care in Inverclyde.

Financial planning

39. The IJB allocates the resources it receives from the health board and council in line with the strategic plan. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget the main issue identified was a £1.2m inherited budget pressure within mental health inpatients which was being funded on a non recurring basis from savings in other budgets. Work is still underway to resolve this on a permanent basis and it is reported to the IJB within each monitoring report as a key risk area.
40. As previously reported in [Exhibit 4 \(page 12\)](#) the IJB achieved an underspend against its 2016/17 budget. In March 2017 the Board agreed an indicative 2017/18 budget which will be kept under review until the final health settlement is confirmed.
41. The financial projections for 2017/18 are forecasting a breakeven position although recognising significant challenges ahead. A number of efficiency savings have been identified and ways in which these savings can be made have been outlined to the Board.

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.

Reserves strategy

42. The IJB was established under section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes. It is therefore permitted to hold reserves.
43. Reserves are an integral part of the IJB's financial sustainability. A reserves strategy was approved by the Board in May 2016. Unallocated reserves will be held by the IJB as a working balance to cushion the impact of uneven cash flows; as a contingency to mitigate the impact of unexpected events or emergencies; and as a means of building earmarked reserves to meet known or predicted liabilities.

- 44.** When determining the level of reserves to be held by the IJB, consideration was given to the strategic, operational and financial risks facing the IJB in the medium term and the Board's overall approach to risk management. Based on the size and scale of the IJB, the Board has set a maximum level of unallocated reserves at 2% of net expenditure. The IJB does not hold unallocated reserves.
- 45.** As outlined in paragraph 36, the IJB holds £4.0 million of earmarked reserves. These include an earmarked reserve of £0.6 million to cover timing delays in the delivery of 2017/18 savings. A number of other reserves totalling £1.4 million remained constant during the year. We have recommended that a detailed review of earmarked reserves should be undertaken as part of the Board's overall approach to financial planning.

[Action Plan \(Appendix 1, point 2\)](#)

Efficiency savings

- 46.** A total funding gap of £2.2 million was identified for 2017/18 within the indicative budget. Full-year savings of £1.3 million from health services and £0.6 million from social care services were outlined within the report taken to the IJB meeting on 14 March 2017. However there was a cash shortfall of £0.6 million on savings from health services because full-year savings are not expected to be achieved in 2017/18. As outlined at paragraph 45, an earmarked reserve for this amount has been created to cover the timing delay.
- 47.** The balance of savings (£0.2 million) was still to be identified. In addition, health service savings already approved include full year savings of £0.2 million relating to the review of the school nursing service which is coded amber (significant impact on service delivery) and full year savings of £0.1 million relating to the Allied Health Professional service review/reduction which has no expected delivery date. These savings may not materialise.
- 48.** The IJB's indicative budget was agreed in March 2017 and was based on information available at that time. The Health Board funding offer was not formalised until August 2017. Management have advised that the savings options put forward were based on a worst case scenario in relation to some anticipated budget pressures, and that the savings agreed in the initial budget were more than sufficient to cover the final budget position. The 2017/18 budget is going to the IJB for approval in September 2017.
- 49.** There are no detailed reports which look beyond 2017/18 and therefore no detailed medium to long term financial plans are in place. As part of the 2016/17 budget process the IJB agreed an annual financial statement covering the period of the current Strategic Plan with indicative budgets up to 2018/19. We understand that more work is planned for this year to develop a detailed medium to long term financial plan.
- 50.** We acknowledge that the IJB is fully funded from both host bodies and that funding from the Scottish Government to these organisations is on a year-on-year basis. However, this should not preclude the IJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning. Longer term financial planning is an area that Audit Scotland has encouraged in both NHS and Local Government and this should also be reflected in the Integrated Joint Board

[Action Plan \(Appendix 1, point 3\)](#)

Workforce planning

51. The 'Inverclyde Health and Social Care Partnership (HSCP) People Plan 2017-20' was approved by the Board in June 2017. This plan considers the workforce that is engaged in the delivery of health and social care across the statutory, third and independent sectors in Inverclyde, It is a sub-set of the over-arching strategic plan, and sets out how the IJB aims to support, develop and grow the capacity and ability of those who contribute to the delivery of health and social care in Inverclyde. We will monitor the progress of the IJB in delivering this plan moving forward.

Part 4

Governance and transparency



Main judgements

The IJB has appropriate governance arrangements in place

The IJB has appropriate risk management arrangements which are subject to regular review by the Board.

Vision

52. The vision for the IJB is set out within the Strategic Plan 2016-2019. The IJB's vision is for 'improving lives', and is underpinned by the values that the IJB:

- puts people first
- works better together
- strives to do better
- is accountable.

Standards of conduct and arrangements for the prevention and detection of fraud

53. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. The IJB uses the financial systems of Inverclyde Council and NHS Greater Glasgow and Clyde and so anti-fraud arrangements in respect of the financial systems is the responsibility of these organisations. The IJB does, however, have an awareness and alertness to any instances of fraud.

54. We are satisfied that the IJB has adequate arrangements in place for the prevention and detection of fraud, although it is acknowledged that no system can eliminate the risk of fraud entirely.

Governance arrangements

55. The IJB was formally established on 27 June 2015, with the delegation of functions from NHS Greater Glasgow and Clyde and Inverclyde Council on 1 April 2016. The Board is responsible for the strategic planning, management and delivery of the health and social care services delegated to it in line with the Integration Scheme between its two partner bodies. The Board has 20 members and is comprised of eight voting members; four elected members of Inverclyde Council and four non-executive members of NHS Greater Glasgow and Clyde as well as a number of professional members and stakeholder representatives.

56. The Board is supported in its work by an Audit Committee, as well as its Chief Officer and Chief Financial Officer.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

57. During the year we carried out a review of the Role of the Board as part of the wider review of governance arrangements across the public sector. This will inform the follow-up of Audit Scotland's 'Role of Boards' national report, published in September 2010. We concluded that:

- there is effective scrutiny and challenge of decisions by members
- voting and non-voting members understand and observe their respective roles and responsibilities
- members receive sufficient training, tailored to their needs, including an introductory presentation outlining the function of the IJB and members' roles and responsibilities; and
- periodic development sessions and ongoing training and support are available to members.

58. In addition, we carried out a minute review of all Board and Audit Committees as well as attending meetings throughout the year to form a judgement on the effectiveness of the Board and Committee and the level of scrutiny of information.

59. Based on the work we have undertaken and knowledge of the IJB, we are satisfied that the governance arrangements in place at the IJB are sound and support good governance and accountability.

Internal audit

60. 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.

61. 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.

62. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 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.

Risk management

63. The IJB approved its risk management policy and strategy in August 2016, and a strategic risk register was developed and approved in March 2017.

64. Based on our review of the evidence we concluded that the IJB has appropriate risk management arrangements which are subject to regular review by the Board.

Transparency

65. Transparency means that the public, and in particular, local residents, have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

- 66.** Full details of the meetings held by the IJB are available on Inverclyde Council's website; committee papers and minutes of meetings are publically 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.
- 67.** Overall, we concluded that the IJB conducts its business in an open and transparent manner but we believe that improvements could be made in financial monitoring reports (refer to our findings in Financial Management section of this report).

Other governance arrangements

- 68.** The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The IJB's overarching strategic plan enables partners to engage in and support the delivery of the health and social care provision.
- 69.** As outlined at paragraph 55 above, the IJB has a number of non-voting members whose role it is to influence, inform and question the voting members. Non-voting members are drawn from:
- Inverclyde People Involvement Network (service users and carers)
 - Staff Partnership Forum (workforce employed in the HSCP)
 - Inverclyde Third Sector Interface (voluntary and not-for-profit organisations)
 - The secondary care (hospital) sector
 - Health and social care professional groups.
- 70.** The HSCP Advisory Group is the oversight group for the People Involvement Network in Inverclyde. Its main function is to inform and involve local people, service users and carers in decision-making about local health and social care services. The HSCP Advisory Group is formally represented on the IJB by its chair and vice chair. It also participates in other planning and engagement structures such as The Inverclyde Alliance Community Planning Partnership.

Part 5

Value for money



Main judgements

The IJB should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on its arrangements to promote continuous improvement and value for money in service provision.

For 2016/17, Inverclyde performed above the Scottish average in 13 out of the 19 (68%) national core integration indicators that are currently active and considered itself to be close in four (21%) of the indicators.

Performance management

71. In order to achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.
72. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
73. Six-monthly Performance Exception Reports are presented to the Board outlining any variance from key service priorities and outcomes highlighted by quarterly service reviews, together with remedial action required. Reporting to the public is made via the HSCP website and the council's public performance reporting webpage.
74. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan.
75. The annual performance report 2016/17 was submitted to the IJB board meeting in June 2017. This summarised the IJB's performance in relation to the nine national wellbeing outcomes, and measured Inverclyde's performance against the national core integration indicators.
76. Inverclyde performed above the Scottish average in 13 out of the 19 (68%) national core integration indicators that are currently active and considered itself to be close in four (21%) of the indicators.

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

- 77.** The two remaining indicators where performance was below the national average were emergency admission rates (*Inverclyde – 14,972 per 100,000; Scottish average – 11,874 per 100,000*) and emergency bed day rates (*Inverclyde – 132,718 per 100,000; Scottish average – 106,531 per 100,000*).
- 78.** In March 2017, the IJB approved development of joint planning for accident and emergency services provided in a hospital, inpatient hospital services and palliative care services provided in a hospital, with a view to shifting the balance of care away from hospitals and towards communities. We will monitor the progress of the IJB in delivering this plan moving forward.

National performance audit reports

- 79.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 3 \(page 27\)](#) accompanying this report. The IJB considers the relevance of national reports and where appropriate includes them in committee papers.
- 80.** 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 are far reaching and have scope to address previous barriers to providing the right care for people closer to home. We also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning.
- 81.** The scale of the change is significant and will not happen quickly. We will therefore carry out a second audit in 2018, when integration authorities are more established, 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.

Best Value

- 82.** Local government bodies, including IJBs, have a statutory duty to make arrangements to secure Best Value through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government guidance issued in 2004.
- 83.** Value for money is a key element of our audit approach. The audit findings included throughout this report, comment on arrangements that have been put in place by the Joint Board to secure Best Value in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.

[Action Plan \(Appendix 1, point 5\)](#)

Inverclyde Council: Best Value Assurance Report (BVAR)

- 84.** Inverclyde was the first of six councils on which a BVAR will be published during the first year of the new approach (2016/17). The Accounts Commission considered the report of the Controller of Audit at its meeting of 11 May 2016. The report was published on 1 June 2017.

- 85.** The Controller of Audit's report included reference to the IJB and he reported that 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 NHS Greater Glasgow and Clyde Health Board. The CHCP partnership arrangement included reporting to both the council and health board, joint planning, allocated aligned budgets and integrated staff and practice development.
- 86.** He also reported that our local scrutiny plans have previously commented on the strong base for integration provided by the CHCP and that the IJB is well placed to meet the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
11	<p>1 Financial forecasts</p> <p>Budget reports provided to the Board in 2016/17 acknowledged that reserves were being created, while projecting a break-even position. The value of the reserves (£4.0 million) was not clarified until the year-end.</p> <p>While we recognise that year end projections are subject to error, the Board should be informed of the best estimate of financial position.</p> <p>Risk</p> <p>Board reports may not provide sufficient information to allow members to review financial performance and make informed decisions.</p>	<p>Financial reports should be revised to ensure they are accurately reflecting spending to date and the projected year end position.</p>	<p>The presentation of future IJB monitoring reports will be revised to better reflect the anticipated surplus and carry forward at the yearend through reserves.</p> <p>Chief Financial Officer End October 2017</p>
15	<p>2 Reserves</p> <p>The IJB holds £4.0 million of earmarked reserves and no unallocated reserves. Earmarked reserves include a general earmarked reserve of £0.6 million to cover timing delay in delivery of 2017/18 savings and a number of other reserves totalling £1.4 million which remained constant during the year.</p> <p>Risk</p> <p>Without a clearly defined purpose and timescale there may be ambiguity over the application of earmarked reserves.</p>	<p>A detailed review of earmarked reserves should be undertaken as part of the Board's overall approach to financial planning and the purpose and expected timescale of each reserve identified.</p>	<p>Reserves are detailed in all financial monitoring reports to the IJB and are reviewed regularly by officers. This includes an appendix detailing the purpose of the reserve and when the IJB plans to utilise it. The IJB will continue to review the purpose of these to ensure the descriptions provided accurately reflect the intended purpose of each reserve.</p> <p>Chief Financial Officer Complete</p>



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

15

3. Medium to long term financial planning

The Board has no financial plans in place beyond 2017/18.

Risk

In the absence of medium to long term financial planning the future financial risks facing the IJB may not be clearly understood.

We recommend that a long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) is prepared. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).

The IJB agreed an Annual Financial Statement covering the period of the current Strategic Plan and budgets for 2016/17 to 2018/19 as part of its 2016/17 budget setting process. During 2017/18 this plan will be revisited and a more detailed medium to long term financial plan will be developed.

Chief Financial Officer
31 January 2018

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5. Best Value

The Board should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Risk

Opportunities for improvement through Best Value review may be missed.

The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.

Agreed. Work will be undertaken to develop this with our partners over the coming year.

Chief Officer/Chief Financial Officer
31 March 2018

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>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 in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Satisfactory written assurances were received from the external auditors of the council and health board regarding journal testing and accuracy, allocation and cut-off of Joint Board transactions.</p> <p>Our work confirmed that the financial statements agreed to the underlying financial systems operated by the host organisations.</p>
<p>2 Financial statements preparation</p> <p>The 2016/17 financial statements will require income, expenditure and year end balances to be agreed with Inverclyde Council and NHS Greater Glasgow and Clyde. There is a risk that the procedures for agreeing the year end balances are not fully embedded and the financial statements are not delivered to the agreed timescale and format.</p>	<ul style="list-style-type: none"> • Monthly monitoring of financial information. • Officers review guidance issued by the Integrated Resource Advisory Group and the Local Authority (Scotland) Accounts Advisory Committee. • Processes and processes have been agreed to ensure information is provided in a timely manner to support the delivery of the financial statements. 	<p>Satisfactory written assurances were received from the external auditors of the Inverclyde Council and NHSGGC regarding accuracy, allocation and cut-off of Joint Board transactions.</p> <p>The required information was disclosed within the accounts and the financial statements were prepared in accordance with the Code.</p> <p>The Annual Report and Accounts met the timescales necessary to meet NHS reporting requirements.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial management and budget overspends</p> <p>Based on the budget monitoring report for the period to 31 January 2017, there is a projected overspend of £0.256</p>	<ul style="list-style-type: none"> • Ongoing financial monitoring will ensure that all areas are monitored closely. • Where an overall overspend is incurred, the Board will be required to come to an 	<p>Movement from projected overspend at period 7 to outturn is detailed in Exhibit 5.</p> <p>The IJB receives regular financial monitoring reports which are clear and concise, outlining expenditure</p>

Audit risk	Assurance procedure	Results and conclusions
<p>million. There is a risk that an overspend is incurred which has to be distributed to the council and the health board.</p>	<p>agreement with the council and health board to confirm the nature and amount of any additional financial support required.</p>	<p>against budget in the delivery of the range of health and social care services described within the IJB's strategic plan.</p> <p>As detailed in the report recommendations for improvement have been made regarding how the final outturn position is reported during the year.</p>

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

IJB relevant reports

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

[NHS in Scotland 2016](#) – October 2016

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

[Scotland's NHS workforce](#) – February 2017

Inverclyde Integrated Joint Board

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