



**MINUTES OF THE MEETING OF THE
EAST LOTHIAN INTEGRATION JOINT BOARD
AUDIT & RISK COMMITTEE**

**THURSDAY 24 OCTOBER 2017
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Members Present:

Mrs M McKay (Chair)
Ms F Ireland
Mr A Joyce

Officers Present:

Mr D Small
Mr D King
Ms M Garden
Mr S Allan

Others Present:

Mr D Melly, Audit Scotland

Clerk:

Mrs A Smith

Apologies:

Councillor S Currie
Councillor F O'Donnell

Declarations of Interest:

None

1. MINUTES OF THE IJB AUDIT AND RISK COMMITTEE MEETING OF 12 SEPTEMBER 2017

The minutes of the East Lothian IJB Audit and Risk Committee meeting of 12 September 2017 were approved.

The Chair, referring to audits carried out for other IJBs, asked if it was the intention to circulate this additional information; David King indicated he would check and advise.

2. AUDIT AND RISK INFORMATION SHARING PRINCIPLES

A report was submitted by the Chief Finance Officer of the IJB setting out the proposed information sharing principles between the Audit and Risk Committees of NHS Lothian and the four IJBs in the Lothian area.

Mr King presented the report, referring to the meeting of the Chairs of all the IJB Audit and Risk committees, on the agenda at Item 8. He informed members that the appendix set out the proposed principles for information sharing amongst the Audit and Risk committees for the four local authorities and NHS Lothian.

The Chair also referred to discussion at the Chairs' meeting stating that the consensus had been that this proposal should be supported; it was a sensible proposal that would make better use of resources and should avoid unnecessary duplication.

Decision

The Committee agreed the information sharing principles as set out in the report.

3. INTERNAL AUDIT PLAN 2017/18

A report was submitted by the Chief Internal Auditor informing the Committee of Internal Audit's operational plan for 2017/18.

Mala Garden presented the report, informing members of the range of factors taken into account in preparing the audit plan. She outlined evaluation categories, resources and reporting arrangements. She drew attention to the detailed Audit Plan for 2017/18, referring to the four specific auditable areas.

Fiona Ireland remarked that clarification would be helpful as regards what belonged to the IJB Audit and Risk group and what belonged to the NHS Lothian Risk group. Ms Garden advised that the audits in the Audit Plan would be shared between the Council's Internal Auditors and the NHS Lothian Internal Auditors, although the Council would undertake the majority of the audits – the audit on Delayed Discharge would be undertaken for the IJB by the NHS Lothian Internal Audit team. David Small indicated there were lessons for the IJB, the Health and Social Care Partnership and acute colleagues. He stated that one of the integration targets had been to provide a perspective to give the IJB assurance, or not, that partners were complying with audit requirements.

The Chair asked how auditable areas were chosen. Ms Garden advised that this year four areas had been selected. Areas had been selected to assist in providing assurance on the IJB's governance, risk management and control processes; the audit of the Strategic Plan was an important element along with performance management and risk management. She added that next year's Audit Plan could include other areas

that the Committee may wish to include, but stressed that areas had to relate to the IJB's responsibilities.

Decision

The Committee agreed to approve the Audit Plan for 2017/18.

4. RISK REGISTER

A report was submitted by the Chief Finance Officer of the IJB setting out the IJB's risk register.

Mr King presented the report. He informed members that as a key part of its governance process the IJB had to maintain a risk register; he outlined the nature of this register. He drew attention to the current version, which gave details of the description of the risks, controls in place, their adequacy and risks levels.

Responding to the Chair's queries, Mr King outlined the key questions for the Committee. He stated that one of the key points of sharing mechanisms, as members had raised, were the different roles - David Small's operational role and Peter Murray's role as Chair of the IJB. The Chair stated that for the risk register to be adequate the other connections needed to be clear. Mr Small remarked that further discussion was required as regards the risk appetite. The Council faced significant risks in relation to social care. He suggested that it could be beneficial to look at partners' risk registers at the same time; members agreed this would be helpful.

Action Point: Mr King would arrange a workshop for the members of this Committee and the voting members of the IJB, and others as required; a report would be brought back to this Committee in due course.

Decision

The Committee agreed:

- i. to note the current risk register; and
- ii. to consider if any further risks should be added to the register.

5. INTERNAL AUDIT REPORTS – IJB DIRECTIONS AND PERFORMANCE TARGETS AND REPORTING

A report was submitted by the Chief Internal Auditor informing the Committee of the recently issued audit reports on IJB directions and performance targets and reporting.

Stuart Allan presented the report in relation to IJB directions, drawing attention to the report's conclusion, which stated that the directions did not clearly show how they linked to the specific objectives in the IJB's Strategic Plan. Implementation of this recommendation would provide greater confidence to the IJB that the Directions would be implemented effectively. He referred to control objective 3, identified as significant, detailing the observations and risk and management action.

The Chair, referring to the Strategic Plan, remarked that neither priorities nor objectives were ranked, there was only a very general statement of intent. She felt that further consideration was required. Mr Small stated that the approach had evolved, the Strategic Plan was the high-level plan; some of the content was derived from specific

bodies such as the Scottish Government. A discussion about priorities had not been carried out but he agreed this was required.

Ms Garden presented the report on performance targets and reporting. She explained that this report dealt with high-level plans; there were four for East Lothian, expected controls had been met for one but not for the others. She drew attention to the main findings, detailing the three significant issues for improvement identified during the review. She informed members that management had accepted the recommendations.

Decision

The Committee agreed to note the contents of the audit reports.

6. ACTIONS ARISING FROM THE ANNUAL ACCOUNTS PROCESS

A report was submitted by the Chief Finance Officer of the IJB setting out the action plan from the Annual Governance Statement within the IJB's 2016/17 annual accounts and the action plan from the Independent Auditor's review of the 2016/17 annual accounts.

Mr King presented the report, informing members that the IJB had remitted the action plan to this Committee. He outlined the background, drawing attention to the importance of ensuring that a review of the actions took place and that the IJB received appropriate assurance. He referred members to the appendices attached to the report.

Responding to a question from the Chair about approving next year's budget if NHS Lothian had not signed off their own budget, Mr King advised that NHS Lothian had given indicative values for 2017/18, and would do so again for next year. He then gave further details on the various areas for improvement identified in appendix 1 and the actions undertaken/to be taken. He also drew attention to appendix 2, the extract from the Independent Auditors report, referring to the various themes and advising the Committee that action continued to be taken as required.

Decision

The Committee agreed:

- i. to note the action plans; and
- ii. to request further regular updates to ensure that the agreed actions were delivered.

7. OTHER REPORTS OF INTEREST

A report was submitted by the Chief Finance Officer of the IJB presenting other reports of interest to the Committee.

Mr King presented the report, providing a summary of the first three reports.

NHS Lothian – 'Budget Management and Financial Recovery Plan Monitoring'

The report noted that with the introduction of a new reporting system there were improved financial controls but further work was required to review and update financial operating procedures, including the review of the monitoring process for the large value and high risk financial recovery plans.

Mr Small informed members that NHS Lothian was tracking the financial plan at directorate level.

Audit Scotland – ‘Self Directed Support’ (SDS)

This was a detailed report on progress with SDS. It noted evidence showing many examples of positive progress in implementing SDS but no evidence that authorities had yet made the transformation required to fully implement the SDS strategy. The report recommended that the SDS model continued to be progressed.

In response to questions from the Chair regarding lessons learned for East Lothian, Mr Small advised that this related to the quality of direction as regards SDS. It may be worth looking at this in more detail and bringing a report back to the Committee.

The Chair, referring to the difficulties faced in rural areas, noted that some parts of Scotland seemed to have found ways to address the provision of care in their villages with community organisations taking this forward. Mr Small replied that there had been attempts previously in East Lothian to try to do this, without success, however it could be worth pursuing this again; he would take this to the IJB. He referred to the working group on SDS, stating that he would arrange for information from that group to be provided to this Committee.

Scottish Government Health and Sport Committee – ‘Are they involving us? Integration Authorities’ engagement with stakeholders’

This was a useful review of the integration authorities and their engagement with the public. The IJB was renewing its engagement strategy, which would be presented to the IJB’s Strategic Planning Group.

ELC Internal Audit Report – ‘Non-residential Charging’

Mr Allan outlined the areas where expected controls were met and highlighted three of the areas with scope for improvement. He reported that all recommendations detailed in the action plan had been accepted by management.

Responding to a question from the Chair, Mr King advised that as part of the overall financial governance it was important for the Committee to have sight of this report.

Decision

The Committee agreed:

- i. to note the reports; and
- ii. to consider if any further actions required to be taken.

8. IJB CHAIRS MEETING OF 2 OCTOBER 2017

Mr King and the Chair provided feedback on the IJB Chairs meeting held on 2 October.

Mr King indicated that the meeting had been a good opportunity to meet counterparts in the other organisations. There had been two main areas of discussion, governance and resources. He advised members that NHS Lothian had no authority over the IJB in relation to matters of governance. Ms Garden commented on the resource issue and the need for clarification of arrangements. Mr King stated that the Chair of the NHS Lothian Audit and Risk Committee was keen to resolve issues and a workshop would be arranged with all Chief Internal Auditors.

The Chair referred to goodwill within the Chairs group but queried how this would flow out in practice; distinct and clear responsibilities needed to be set out. She cautioned against setting an expectation, adding that once matters were sorted there should be a stocktaking exercise.

9. AOCB

There were no items for consideration under AOCB.

10. DATE OF NEXT MEETING

Thursday 12 December 2017 at 2pm.

DRAFT

Signed

Mrs Margaret McKay
Chair of the East Lothian IJB Audit and Risk Committee



REPORT TO: East Lothian IJB – Audit and Risk Committee
MEETING DATE: 12 December 2017
BY: Chief Internal Auditor
SUBJECT: Internal Audit Report – IJB Strategic Plan

3

1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of the recently issued audit report on the IJB Strategic Plan.

2 RECOMMENDATION

- 2.1 That the Audit and Risk Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the IJB Strategic Plan was recently undertaken as part of the Audit Plan for 2017/18.
- 3.2 The objective of the audit was to ensure that the arrangements in place for the implementation of the IJB Strategic Plan were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Chief Internal Auditor
CONTACT INFO	01620 827326
DATE	06 December 2017

EAST LoTHIAN IJB – INTERNAL AUDIT IJB STRATEGIC PLAN

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2017/18, a review was undertaken of the arrangements in place for the implementation of the IJB Strategic Plan. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Public Bodies (Joint Working) (Scotland) Act 2014, sets out the framework for integrated adult health and social care services. The Act places a duty on the IJB to develop a Strategic Plan. The IJB's Strategic Plan 2016-2019 was approved in February 2016.
- The Strategic Plan provides the strategic direction of how health and social care services will be shaped in East Lothian. The Plan outlines the transformational changes and key actions that require to be undertaken to achieve this vision.
- A Strategic Planning Framework is in place for the management and delivery of the Strategic Plan – the Framework outlines the roles and remits of the Strategic Planning Group (SPG), the Strategic Planning Programme Board (SPPB) and specific themed project groups.

1.3 Areas with Scope for Improvement

- The monitoring and reporting arrangements in place for providing an overview to the IJB on the progress being made in implementing the priorities outlined in the Strategic Plan Implementation Programme require review. *Risk – failure to monitor progress on the implementation of the Strategic Plan.*
- The arrangements in place for preparing delivery plans and business action plans require review – there was a lack of evidence to indicate that plans were being prepared on an annual basis as set out in the Strategic Plan. *Risk – failure to outline priorities to be addressed in the coming year.*
- The Strategic Planning arrangements in place require review to ensure that roles and remits, accountability structures and governance are operating in accordance with the Strategic Planning Framework. *Risk – failure to adopt a robust and cohesive approach.*
- There had been delays in establishing project groups with responsibility for delivering defined packages of work. *Risk – failure to deliver on priorities within the agreed timescales.*
- There was a lack of arrangements in place for reviewing and refreshing the Strategic Plan. *Risk – failure to reflect current priorities.*

1.4 Summary

Our review of the IJB's Strategic Plan has identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Chief Internal Auditor

December 2017

**EAST LoTHIAN IJB – INTERNAL AUDIT
IJB STRATEGIC PLAN**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Consideration should be given to reviewing and refreshing the Strategic Plan to ensure that it continues to be an accurate reflection of the IJB's priorities.	Medium	IJB Chief Officer	Agreed – to be part of planning for 2018/19		March 2018
3.4.1	<p>Management should ensure that appropriate monitoring and reporting arrangements are in place to provide an overview to the IJB of the progress being made in implementing the Strategic Plan Implementation Programme.</p> <p>Management should ensure that delivery plans and business action plans are prepared on an annual basis clearly outlining the priorities to be addressed in the coming year.</p>	Medium	IJB Chief Officer	<p>Agreed – update on progress to be provided to the IJB</p> <p>Agreed – Delivery Plans to be prepared</p>		<p>December 2017</p> <p>March 2018</p>
3.5.1	Management should review the Strategic Planning arrangements in place to ensure that roles and remits, accountability structures and governance are operating in accordance with the Strategic Planning Framework.	Medium	IJB Chief Officer	Agreed		February 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1 (cont)	Management should ensure that adequate arrangements are in place for the regular reporting of the progress being made by project groups with responsibility for delivering defined packages of work.	Medium	IJB Chief Officer	Agreed – updates to SPPB and reports on overall progress to the IJB on a quarterly basis		February 2018

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.



REPORT TO: East Lothian IJB - Audit and Risk Committee

MEETING DATE: 12 December 2017

BY: Chief Finance Officer

SUBJECT: Update on Actions from the Annual Accounts

4

1 PURPOSE

- 1.1 This report updates the committee on the actions from the AGS and Annual Accounts paper which was presented to the committee at its last meeting

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the update

3 BACKGROUND

- 3.1 At its October 2017 meeting the IJB received a report on the improvement actions that had been laid out both in the IJB's Annual Governance Statement (AGS) and the independent auditors report on the IJB's 2016/17 annual accounts. The IJB asked the committee to ensure that these actions are progressed and the committee chair has asked for an update to be presented at every meeting.
- 3.2 The detail of the actions and the management response was laid out in an appendix to the October paper and this is attached to this report for information.

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3.3 The update is:-

Actions identified in the AGS	Update
Financial Assurance	The partners are in the process of finalising their budgetary offers to the IJB for 2018/19 with an indicative position for the following two years. This information will inform the IJB's three year financial plan which will be presented to the IJB at its January meeting. Full financial assurance on the 18/19 budget will be presented to the IJB in March 2018.
Three year financial plan	See above
Financial Risk Sharing	The financial risk sharing is laid out in the Integration scheme. The current position for 2017/18 will be presented to the IJB at its December meeting.
Support to the IJB from the partners	The partners have continued to provide support to the IJB. Further discussion are underway regarding support to the IJB's CIA.
Performance management	Regular reports are now being presented to the IJB. However this matter is to be discussed by the A&R at this meeting to consider any further requirements.
Risk management	A risk strategy and policy is presented to the IJB at this meeting
Use of the Social Care Fund	The 17/18 position will be reported to the IJB at its March 2018 meeting along with proposals for 2018/19.
Risk Register	See above
Participation, engagement and the workforce development plan	The IJB is working with the partners to produce a workforce plan
Budget monitoring	Regular updates on the 2017/18 financial position have been and continue to be presented to the IJB
Efficiency savings	The efficiency savings proposed in 2017/18 will be presented to the IJB at its December meeting. The 2018/19 and future plans will be examined in the financial assurance paper to the March IJB

4 ENGAGEMENT

- 4.1 The IJB's Audit and Risk committee is held in public and the papers are openly available in line.

5 POLICY IMPLICATIONS

- 5.1 There are no new policy implication for the IJB in this report

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

- 7.1 Financial – None
7.2 Personnel – None
7.3 Other – None

8 BACKGROUND PAPERS

- 8.1 Report to the Audit and Risk Committee – October 2017.

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance officer
CONTACT INFO	david.king@nhslothian.scot.nhs.uk
DATE	December 2017

Appendices

1. Action plan for AGS – Annual Accounts 2016/17
2. Extract from independent auditors report on the 2016/17 annual accounts

Appendix 1 - Extract from the 2016/17 annual accounts – AGS action plan

Areas for Improvement identified in 2015/16	Action undertaken 2016/17
<p>Financial Assurance Finalisation of the 2016/17 financial assurance process including a formal offer of financial resources from NHS Lothian</p>	<p>At its March 2016 meeting the IJB accepted the East Lothian Council budgetary offer and an indicative offer from NHS Lothian. NHS Lothian's formal financial allocation offer for 2016/17 was received on 14 June 2016. The final financial assurance for 2016/17 was presented to the IJB at its August meeting. The IJB agreed to the proposed budget.</p>
<p>Three year financial plan The financial plan that underpins the IJB's Strategic Plan should cover a three year period.</p>	<p>Although NHS Lothian have only made an offer for one year, East Lothian Council have made a three year indicative position. The 2017/18 budget is also a one year settlement however this is now being addressed in 2017/18 as part of the future budget setting process.</p>
<p>Financial Risk Sharing Completion of a financial risk sharing agreement between the IJB and its partners.</p>	<p>The 2016/17 financial risk sharing was agreed. NHS Lothian agreed to cover the health elements of the IJB's budget and East Lothian Council made an additional £1.0m available to cover any overspends within the social care element of the IJB's budget.</p>

Areas for Improvement identified in 2015/16	Action undertaken 2016/17
<p>Support to the IJB from the partners Finalisation of the actions requiring to be undertaken by the partners to support the IJB as laid out in the IJB's integration scheme.</p>	<p>A range of matters have been progressed :-</p> <ul style="list-style-type: none"> • Additional staffing to support for the IJB's planning team • Support from NHS Lothian Internal Audit team to the IJB's CIA • Support for the delivery of performance and activity information from NHS Lothian • Support to prepare an IJB risk register • Redesign of the NHS Strategic Planning group and NHS Finance and performance group to reflect the responsibilities of the IJB • Agreement to an whole Lothian system Internal Audit report sharing mechanism – that is all four councils, NHS Lothian and all four IJBs • Representation of the IJB on NHS Lothian's clinical governance committee.
<p>Performance management Further development of the performance management framework for the IJB.</p>	<p>The IJB is continuing to work with its partners to agree and implement a system of performance management (including financial performance). Detailed reports were presented to the IJB at its meetings in August 2016 and February 2017. Further reports will be presented to the IJB in 2017/18.</p>
<p>Risk management Further developments in the risk management system for the IJB.</p>	<p>A draft proposal and risk register was submitted to the IJB's Audit and Risk Committee on 23 March 2016 with a further report along with an updated risk register which was presented to the Audit and Risk Committee on 21 June 2016. The risk register continues to be developed and has been presented to the Audit and Risk Committee at each of its meeting in 2016/17.</p>

Area for Improvement identified in 2016/17	Actions to be undertaken In 2017/18
<p>Use of the Social Care Fund A lack of a clear audit trail to monitor the actual social care fund (£4.37 million) expenditure incurred to date for certain categories of spends.</p>	<p>A range of reports regarding the SCF were made to the IJB in 2016/17 a final report will be made to the IJB meeting of June 2016. This report shows that the expenditure on the SCF was in line with the IJB's agreement with East Lothian Council.</p>
<p>Performance Management The need to ensure that the performance management framework is fully developed and clearly sets out how the IJB will measure performance against the Strategic Plan, identify areas where improvements are required and demonstrate to stakeholders the benefits that are being delivered.</p>	<p>This work continues supported by the IJB's partners and a reporting mechanism has been agreed with further development work in train. Reports were presented to the IJB at its meetings in August 2016 and February 2017.</p>
<p>Risk Register The risk register in place requires review to ensure that it includes all ongoing and emerging risks facing the IJB including these identified as part of the financial assurance process. The register should clearly set out the additional controls and measures to manage the risks identified and meet the desired risk targets.</p>	<p>The IJB's risk register was presented to the meeting of the IJB's Audit and Risk committee in 2016/17. It is being reviewed and updated and work is underway with both NHS Lothian and the other IJBs in the Lothians to ensure that there are all the risk are appropriately covered.</p>
<p>Participation, engagement and the workforce development plan Progress that requires to be made on Participation and Engagement and the Workforce Development and Support Plan, to ensure compliance with the Integration Scheme.</p>	<p>The IJB has continued to engage both its partners and, more importantly the public which its services. Regular updates and briefings are provided on the IJB's website and the IJB has undertaken a second 'big conversation' to engage with the public.</p>

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



Para no.	Issue/risk	Recommendation	Agreed management action/timing
28	<p>1. Budget monitoring</p> <p>Quarterly budget monitoring reports were not produced during 2016/17 as per the Integration Scheme.</p> <p>Risk: The absence of adequate budget monitoring arrangements increases the risk that the IJB will fail to identify and remedy with its partners any projected overspends.</p>	<p>For 2017/18, the IJB needs to finalise its financial plan based on offers from the partners and ensure this is reported quarterly to Members.</p>	<p>The IJB is monitoring the 17/18 position closely and has reported the first quarter position and indicative out-turns to the IJB in August 2017. The financial position will be updated on a quarterly basis and the CO and CFO are progressing any required recovery plans with the partners.</p> <p>Action by the CO and the CFO. Quarterly reports.</p>

30	<p>2. Risk sharing framework</p> <p>There is no risk sharing framework in place between the IJB and its partners.</p> <p>NHS Lothian and East Lothian Council were required to provide additional funding in the year in order for the IJB to deliver a break even position.</p> <p>In 2017/18 and future years, in the absence of such funding agreements, the IJB may fail to achieve this break-even position.</p> <p>Risk: In the absence of this framework, and given the funding challenges going forward, there is a risk that lines of accountability for overspends are unclear and go unresolved.</p>	<p>The IJB should put in place a risk sharing framework with its partners to ensure that the lines of accountability regarding overspends are clearly set out.</p>	<p>As above, the IJB will follow the actions to manage overspends as laid out in the Integration Scheme. Having reported the potential for an overspend at to the IJB's August 2017 meeting, the CO and the CFO have requested recovery plans from the partners. The CFO will continue to report this position to the IJB .</p> <p>Action – CFO, updated quarterly.</p>
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48	<p>3. Financial Planning</p> <p>The IJB does not have a medium to long term financial plan in place. Despite the IJB being fully funded by partners</p>	<p>The IJB needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges.</p>	<p>The IJB is working with its partners who will provide it with indicative three year allocations. Having considered the resources available to it</p>
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[Appendix 1 Action plan 2016/17 | 21](#)



Para no.	Issue/risk	Recommendation	Agreed management action/timing
	<p>who only receive annual funding allocations from the Scottish Government, this should not prevent the IJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning for possible budget changes.</p> <p>Risk: Issues relating to financial sustainability and planning in the medium to long term are not identified in a timely matter and this could prevent future delivery of key services.</p>		<p>the IJB will prepare a three year financial plan laying out how it will achieve its Strategic Plan. The partners are committed to supporting the IJB in these actions and the CFO and CO have been discussing and preparing these plans working with both the partners and the IJB's Strategic Planning Group.</p> <p>The proposal is to prepare an outline plan by January 2018.</p> <p>Action CFO</p>

54	4. Efficiency savings <p>For 2017/18 the IJB is required to deliver £3.3 million savings with £500,000 yet to be identified. Robust plans need to be in place as it is unlikely that further funds will be made available by partners to fund any further pressures.</p> <p>Risk: The IJB may not be able to deliver the targeted savings in 2017/18 and will not break-even.</p>	<p>The IJB needs to identify and agree the remaining 2017/18 savings required in order to break-even.</p>	<p>As above, the IJB has approached the partners regarding their efficiency and recovery plans and this will be reported as part of the quarterly financial reporting.</p> <p>Action CFO, updated quarterly.</p>
65	5. Risk management <p>The IJB has not developed its own risk management strategy, and has chosen to rely exclusively on the risk management strategy of its partners in developing its own risk register.</p> <p>Risk: The IJB is not in compliance with the requirements of the Integration Scheme with respect to risk management and could consequently be less effective in capturing and monitoring all of the relevant risks for the IJB.</p>	<p>The IJB should develop its own risk management strategy to ensure it is complying with the Integration Scheme. Further work is still to be done to refine the risk management and review processes within the IJB.</p>	<p>Agreed.</p> <p>This will be developed with the IJB's Audit and Risk committee.</p> <p>Action, CO and CFO, to be completed by the end of the financial year.</p>
73	6. Performance reporting <p>The annual performance report was not submitted in line with the Act during 2016/17.</p>	<p>The IJB needs to ensure that it produces an annual performance report in line with the requirements of the Act and that it is relevant to the</p>	<p>The Annual performance report was submitted to the IJB for approval at its August 2017 meeting. The report has now been published on the IJB's</p>



Para no.	Issue/risk	Recommendation	Agreed management action/timing
	Risk: There is a risk that the failure to routinely monitor and report in-year performance could lead to the IJB failing to meet some or all of the metrics set out by the Act as well as failure to address issues as they become known.	IJBs operations and presented to members by 31 July each year.	website.



REPORT TO: East Lothian IJB – Audit and Risk Committee
MEETING DATE: 12 December 2017
BY: Chief Finance Officer
SUBJECT: Risk Management Strategy and Policy

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1 PURPOSE

- 1.1 This report lays out the IJB's risk management strategy and the IJB's risk policy.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- (i) Agree the draft risk management strategy;
 - (ii) Agree the draft risk management policy; and
 - (iii) Recommend the strategy and the policy to the IJB

3. BACKGROUND

- 3.1 At its meeting of November 2015, the IJB received a paper entitled 'Risk Management Approach'. This paper recognised that the IJB's Integration Scheme required the IJB to develop and shared risk management strategy with NHS Lothian and with East Lothian Council.
- 3.2 The IJB agreed that the Audit and Risk Committee would progress this work and report back to the IJB. The IJB has set up a risk register which has been regularly reviewed by the A&R committee and has worked with colleagues in East Lothian and NHS Lothian to share risk management process and intelligence. A set of Audit and Risk information sharing principles were agreed by the last meeting of the A&R which simply agree that all the Lothian IJBs and NHS Lothian will share all and any Internal Audit reports – the risk registers already being public documents
- 3.3 That said, the IJB does not currently have a formal risk management strategy and a policy to implement that strategy.

- 3.4 This matter was also raised by the IJB's external auditors in their annual report for 2016/17. This noted that The IJB should develop its own risk management strategy to ensure it is complying with the Integration Scheme.
- 3.5 Its important to recognise that the IJB is not an operational delivery unit. The delivery of the functions delegated to the IJB is carried out under the auspices of one or other of the partners (NHS Lothian and East Lothian Council) and each of these partners has its own governance process, statutory responsibilities for service delivery, audit and risk committees and risk registers.
- 3.6 The IJB will therefore limit its own risk management strategy to those risks that are wholly IJB risks and not operational risks that are more correctly managed elsewhere. Therefore to take assurance on risk management for operational service delivery risks from the risk management processes of East Lothian Council and NHS Lothian.
- 3.7 This then raises the issue of what is considered to be a wholly IJB risk? In general, wholly IJB risks relate to the ability of the IJB to prepare and deliver its strategic plan. The risks the IJB must manage are therefore the risks in delivering the IJB's own business. The operational and delivery risk of delivering the functions delegated to the IJB will remain to be managed by the partners. However, if the risks in the delivery of the partners business become so significant as to impact upon the delivery of the IJB's functions then the IJB will require to be appraised of these risks and the actions being taken to manage them.
- 3.8 This raises the second key issue – when does an operational risk become a strategic one? There are significant operational – issues around the recruitment of GPs and around the recruitment of homecare staff for example – which could, if not properly managed, impact on the IJB's business. The IJB therefore, requires to be appraised of 'significant' operational risks although the Chief Officer and the Audit and Risk Committee wish also to add such risk onto the IJB's risk register. It has to be remembered that the management of such risks will remain with the operational partner and therefore the IJB are simply noting the position.
- 3.9 The IJB's Risk management Strategy is therefore that those risk that are wholly IJB risks (as above) will be managed through the IJB's risk register which will be regularly scrutinised by the Audit and Risk Committee. The IJB's Chief Officer, Chief Financial Officer and Chief Internal Audit supported by other IJB members and the partnership management team will inform the Audit and Risk committee of operational risks that may be so significant that they will impact on the IJB's business. Operational risks within the partners will continue to be managed by the Partners and the IJB will take assurance from these processes. The draft risk strategy is attached as appendix 1.
- 3.10 The IJB's risk policy will follow the same principles as NHS Lothian's (attached as appendix 2) but as above covering only the business of the IJB.

3.11 As a general principle, any governance process has to be commensurate with the resources that a body has available to support it. Hence the proposition that the IJB concentrates its risk management on its own business and takes assurance from the risk management processes of its partners. The IJB has to use its resources carefully and it's worth noting that the IJB's risk register has 5 key risks. The partnership's risk register has 6 risks albeit at a much more operational level.

4. ENGAGEMENT

4.1 The strategy and the policy, having been adopted by the IJB will be published on the IJB's website.

5 POLICY IMPLICATIONS

5.1 This paper is offers a new policy for the IJB for agreement.

6 INTEGRATED IMPACT ASSESSMENT

6.1 There are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper.

7 RESOURCE IMPLICATIONS

7.1 Financial – there are none.

7.2 Personnel – there are none.

7 BACKGROUND PAPERS

7.1 None

Appendices

1. IJB's Risk Strategy
2. IJB's Risk Management Policy

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DATE	5 December 2017

East Lothian
Integration Joint Board



Risk Management Strategy

December 2017

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1. Background

East Lothian Integration Joint Board has been delegated a range of Health and Social Care functions by NHS Lothian and East Lothian Council.

Although the responsibility for the operational delivery of these functions continues to rest with the partners (NHS Lothian and East Lothian Council) the responsibility for preparing and delivering a Strategic Plan rests with the IJB. The IJB must then consider a risk management strategy to identify and manage the risks associated with the preparation and delivery of the Strategic Plan

When risk is well managed it often goes unnoticed. If it is poorly managed or not managed at all the consequences can be significant and high profile. Effective risk management is needed to prevent such failures.

2. Policy Statement

- 2.1 The members of the Integration Joint Board and the members of the partnership management team who support them are encouraged to develop new initiatives, improve performance and achieve their goals safely, effectively and efficiently by consistent application of tried and tested methodologies for identifying and managing opportunity and risk.
- 2.2 In doing so the IJB aims to make the most of opportunities to:
- achieve high standards of performance;
 - deliver high quality services for service users;
 - Support the partners in providing an environment that meets Health & Safety requirements for the people it employs;
 - Support the partners to protect assets and liabilities against potential losses, and
 - minimise uncertainty in achieving its goals and objectives.

3. Scope

- 3.1 The Chief Officer has overall accountability for risk management.
- 3.2 The IJB's risk management will centre on the business of the IJB. That is the preparation and delivery of the IJB's Strategic Plan. The IJB's risk register will not contain operation risks unless these risks may impact on the business of the IJB
- 3.3 Operational risks – that is the risks around service delivery managed by the partners and implemented through the IJB's directions - will continue to be managed by the appropriate partner. The appropriate partner being the partner delivering the service or the East Lothian Health and Social Care partnership if the service is being delivered by both partners.
- 3.4 The Chief Officer, Chief Finance Officer, Chief Internal Auditor, members of the IJB and partnership staff who support the IJB will be responsible for identifying any operational risks that are sufficiently significant to impact upon the business of the IJB and which can then be entered on the IJB's risk register. However, such a risk will continue to be managed by the appropriate partner(s) and the IJB will require the partner(s) for assurance around the management of that risk.
- 3.5 The IJB is signatory to an Internal Audit information sharing agreement between NHS Lothian, Edinburgh IJB, West Lothian IJB and Midlothian IJB. This agreement will also provide intelligence to the IJB around any other operational or IJB specific risks which can then be added to the IJB's risk register as required.

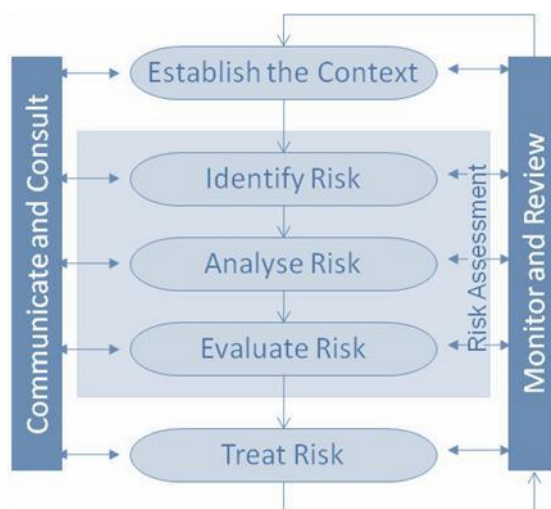
- 3.5 All risk will be analysed in terms of impact on the IJB, the functions delegated to it and the likelihood of occurrence. This analysis will produce an evaluation of risk as being Low, Medium, High or Very High. The IJB's response in relation to adverse risk, or 'risk appetite' is such that:
- 'Low' risk is broadly acceptable without any further action to prevent or mitigate risk;
 - 'Medium' risk is tolerable with control measures that are cost effective;
 - 'High' risk may be tolerable providing the IJB is assured that adequate and effective control measures are in place; and,
 - 'Very High' risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.

High and Very High risk will be subject to closer scrutiny by the Audit and Risk Committee.

4. Risk Management Philosophy and Objectives

4.1 Risk Management is about the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects¹. It is pro-active in understanding risk and uncertainty, it learns and builds upon existing good practice and is a continually evolving process that has an important role to play in ensuring that defensible and beneficial 'risk-aware' not 'risk-averse' decisions are made. It ensures that the IJB support its partners to provide high quality services and all staff are aware that every effort has been made to maximise their opportunities to succeed.

4.2 The IJB uses the risk management process shown below².



4.3 Risk Management Objectives

The specific risk management objectives of the IJB are to:

- (i) integrate governance and risk management into the planning and oversight of the operational delivery of the functions delegated to the IJB;
- (ii) create a consistent approach to risk across all services using the adopted process;
- (iii) promote practical measures to reduce the IJB's exposure to risk and potential loss;

¹ Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004

² Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004 and ISO 31000 (2009)

- (iv) define clear lines of responsibility for the management of risk.
- (v) provide a system for monitoring the effectiveness of the risk management framework;
- (vi) provide a system for feedback on the management of key risks to the IJB;
- (vii) comply with legislative requirements; and
- (viii) comply with the requirements of Corporate Governance

4.4 The fundamental principles of Risk Management are to:

- ensure that the Risk Management process takes account of and links to the IJB's objectives;
- to keep the IJB and appropriate senior managers advised of any significant risk management issues;
- to promote an open and fair reporting culture;
- agree clear roles and definitions relating to the accountability, management, escalation and communication of key risks; and
- approach the assessment of risks and opportunities consistently.

5. Benefits of Effective Risk Management

5.1 Effective risk management will contribute to delivering significant benefits for the IJB. The primary benefit is that appropriate, defensible, timeous and best value decisions are made. Such 'risk-aware' decisions should be based on a balanced appraisal of strengths, weaknesses, opportunities and threats, and should enable acceptance of a certain level of risk in order to achieve a particular goal or reward.

5.2 Defensible decision-making means that:

- all reasonable steps in the decision-making process will have been taken;
- all relevant information will have been collected and thoroughly evaluated;
- reliable assessment methods will have been used;
- decisions (and supporting rationales) will have been clearly documented, and
- processes will have been put in place to monitor the effectiveness of the decision outcomes.

5.3 Other benefits would include:

- high achievement of objectives and targets;
- better use and prioritisation of the IJB's resources;
- high levels of user experience/ satisfaction with a consequent reduction in adverse incidents, claims and/ or litigation;
- avoid duplication of Risk Management issues which affect the partners and bring them together to benefit from good practice.

6. Standard Procedures

6.1 Standard procedures should be fulfilled in order to achieve a consistent approach to effectively implementing risk management.

6.1.1 Full implementation of the continuous risk management process, embedding risk management within IJB's processes so that an assessment of risk as well as costs and benefits becomes routine wherever possible.

- 6.1.2 Identification of risk using standard methodologies and involving managers throughout the service with detailed knowledge of the service and the environment in which it operates.
- 6.1.3 Routine reporting of risk information to the Audit and Risk committee with appropriate escalation to the IJB as required.
- 6.1.4 Periodic re-assessment of individual risks, proportionate to significance of risks (i.e. low and medium risks fully reassessed every two years and significant [high and very high] risks annually) including routine audit of robustness of measures implemented to control risks.
- 6.1.5 Fully document the risks in the risk register and to monitor and carry out an annual review of corporate and service risk registers to ascertain progress and to check for contextual changes affecting the risks.
- 6.1.6 Ongoing proactive identification of new and/or potential risks as a general responsibility of all service areas specifically those where risk is inherently discussed as part of their remit.

6.2 **Formal Groups**

- 6.2.1 **The IJB** will receive a report from the Audit and Risk committee annually laying out the risk register, the risks and the management actions to mitigate them and confirmation that this process is providing an appropriate level of assurance.
- 6.2.2 **Audit and Risk Committee** will scrutinise and review the effectiveness of the implementation of the risk management processes within the IJB. It will also scrutinise and review the Risk Register.
- 6.2.3 Internal Audit is an independent appraisal function within the IJB. Internal Audit will:
 - review, appraise and report on the adequacy and effectiveness of Risk Management arrangements within the IJB, and
 - take into account the IJB's Risk Register when identifying areas to be included in the Annual Audit Plan.

Structural Arrangement and responsibilities

Individuals

7.4.1 Chief Officer

The Chief Officer has ultimate responsibility for ensuring that there are suitable and effective arrangements in place to manage the Council's risks.

7.4.2 IJB Members and any partnership officers supporting the IJB

All IJB members and any partnership officers supporting the IJB should be encouraged to be involved at all levels in identifying current and potential risks where they work. They should make every effort to be aware of situations which place themselves or others at risk, report identified hazards and implement risk reduction measures developed by their service. Risk assessments should encompass all facilities used to deliver services and be completed using the knowledge and experience of all relevant staff and where appropriate service users. This approach will support the formal risk review conducted annually by all services and enable staff to:

- understand the risks that relate to their roles and their activities;
- understand their accountability for particular risks and how they can manage them;
- understand how they can contribute to continuous improvement of risk management;
- understand that risk management is a key part of the IJB's culture;
- report systematically and promptly to the Chief Officer any perceived new risks or failures of

existing control measures

9. Risk Registers

- 9.1 The Chief Officer will establish a Risk Register and they will have responsibility for maintaining the Register.
- 9.2 The information to be contained in both the Corporate Risk Register and the respective Service Risk Registers will be:
- risk identification number;
 - risk description (linked to the achievement of business objectives);
 - likelihood/impact rating;
 - risk rating;
 - controls in place;
 - potential residual risk;
 - planned actions;
 - service or person responsible for planned actions/managing the risk;
 - timescale for completion of action, and
 - evidence of regular review.

10. Strategy Implementation an, communication and review

- 10.1 The IJB's Risk Management Strategy was first discussed by the IJB's Audit and Risk Committee at its December 2017 meeting and presented to the IJB at its February 2018 meeting. The Strategy accurately represents arrangements for managing risk within the IJB at the time of approval. Implementation of this strategy will be underpinned by Risk Management Guidance and the Risk Management Action Plan.
- 10.2 This strategy will be reviewed at periodic intervals of at least every 3 years to ensure that it reflects current standards and best practice in risk management and fully reflects the rapidly changing environment in local government.
- 10.3 This Strategy, having been adopted by the IJB, will be published on the IJB's website

11 . Outputs and Benefits of the Risk Management Strategy

- 11.1 Embedding a Risk Management culture throughout East Lothian IJB is vital to the success of this strategy. The anticipated outputs and benefits of the Risk Management Strategy are:
- Improved service delivery;
 - Better value for money;
 - Improved corporate governance and compliance systems;
 - Improved decision making;
 - Enhanced understanding of the IJB's vulnerabilities;
 - Improved use of resources;
 - Enhanced strategic awareness;
 - Compliance with legislation/ regulation;
 - Adds value to the activities of the organisation, and
 - Increases the probability of success in achieving business objectives.
- 11.2 These outputs and benefits will protect and enhance East Lothian IJB's reputation, which will in turn increase public trust.

East Lothian
Integration Joint Board



RISK MANAGEMENT POLICY

Version 1.0 - Draft

RISK MANAGEMENT

POLICY Executive

Summary

Key elements

The aim of this policy is to embed risk management within the IJB and ensure effective risk management structures are in place, including:-

- A consistent approach to the identification, assessment and management of
- Assurance that all risk control and mitigation measures will be effective, appropriate, proportionate, affordable and flexible. Risk controls will not be implemented where the cost and effort is disproportionate to the expected benefits.
- The requirement of all members of the IJB and staff supporting the IJB to take responsibility for effective management of risk in all aspects
- The promotion of an open and transparent culture to promote the positive identification and management of risk in the organisation.

Minimum Implementation Standards

The IJB shall have a record of its Risks (a risk register) and the Chief Officer is responsible for implementing this policy. The Chief Officer will ensure :-

- There is a process to systematically consider the relevance and management of existing and new risks in their area.
- That all members of the IJB and any officers supporting the IJB are clear of their roles and responsibilities in regard to implementing this policy.

Why is Risk Management Important?

Risk Management can be defined as the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and review progress.

What is a Risk?

Risk can be defined as the combination of the probability of an event and its consequences (ISO/IE Guide73) and how the threat of that event or action will adversely affect the IJB's ability to achieve its objectives, perform its duties or meet the expectations of its stakeholders. Inherent risk, for the

purpose of this document, can be defined as the exposure arising from a specific risk before any action is taken to manage it and residual risk the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.

Risk exists where there is uncertainty of outcome, either in terms of the assurance on the processes the IJB has in place, or in the IJBs's achievement of its performance organisational objectives and targets.

Risk Management is therefore a process that helps the whole organisation identify areas that require attention and remedial action.

What Should Risk Management Achieve?

Risk management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities, with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

It should reduce the probability of failure, and increase the probability of success. Risk Management protects and adds value to the IJB and its partners by supporting the organisations objectives by:

- providing a framework that enables future activity to take place in a consistent and controlled manner
- improving decision making and planning and prioritisation by comprehensive and structured understanding of business activity, opportunity and threat

When a risk has been identified, action must be taken to either:

- **Treat:** Eliminate the risk completely, or reduce it to the point where the risk is at an acceptable level.
- **Tolerate:** Where the risk is unavoidable, formally conclude that the risk is of a type that any further action would be disproportionate to the level of risk exposure, and that the risk is therefore at an acceptable level.
- **Transfer the Risk** e.g. insurance cover
- **Terminate the Activity**

The IJB and those officers who support it must be aware that when they have treated the risk they have a responsibility to manage the residual risk through effective systems of controls and monitoring.

When the risk management process has concluded, the IJB should either have an improved response to its assurance need, or improved

organisational performance.

RISK MANAGEMENT POLICY

- The IJB shall have a record of its risks – a risk register
- The IJB shall prioritise its response to its risks in a manner that recognises the objectives of the IJB, and the nature and significance of the risks that are presented.
- The IJB and the Audit and Risk committee shall regularly monitor the current risks, and seek assurance that action is being taken to manage the risks.
- The IJB shall maintain an open and transparent culture to promote the positive identification and management of risk in the organisation.



REPORT TO: East Lothian IJB – Audit and Risk Committee
MEETING DATE: 12 December 2017
BY: Chief Finance Officer
SUBJECT: Other Reports of Interest

6

1 PURPOSE

- 1.1 This report provides the committee with a brief note of reports issued by Audit Scotland and the Scottish Government of interest to the Committee.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the contents of this report.
- 2.2 The Committee is asked to consider if any issues raised in the highlighted reports should be brought to the attention of the IJB.

3 BACKGROUND

- 3.1 As part of the overall governance process and to allow the Committee to be informed of reports by other bodies of interest to the IJB a paper is presented to every committee bringing and briefly summarising other reports of interest – largely from Audit Scotland and the Scottish Government.
- 3.2 Rather than append these reports of interest to this paper, it has been decided to add web links into this report. If members of the Committee wish paper copies then these can be provided by the CFO.
- 3.3 **Audit Scotland**

[NHS in Scotland 2016/17](http://www.audit-scotland.gov.uk/report/nhs-in-scotland-2017)

<http://www.audit-scotland.gov.uk/report/nhs-in-scotland-2017>

Audit Scotland produce an annual review of the performance of the NHS in Scotland and makes recommendations to the SG. Appendix 1 is a copy of the summary of this report along with the

recommendations. This report notes the significant financial challenges faced by the NHS in 2016/17

Local Government in Scotland – Financial Overview 2016/17

<http://www.audit-scotland.gov.uk/report/local-government-in-scotland-financial-overview-201617>

Appendix 2 is a copy of the summary

Scottish Government

Professor Sir Harry Burns - Targets and Indicators in Health and Social Care in Scotland A Review.

<http://www.gov.scot/Resource/0052/00527689.pdf>

Sir Harry Burns has examined the targets that the Scottish Government has set the NHS the targets that the Scottish Government has set the Integration Authorities. A copy of the conclusions is attached as appendix 3.

Health and Sports Committee - Looking ahead to the Scottish Government Health and Sport Draft budgets 2018-19

<https://sp-bpr-en-prod-cdnep.azureedge.net/published/HS/2017/11/13/Looking-ahead-to-the-Scottish-Government-Health-and-Sport-Draft-Budget-2018-19--A-call-for-greater-transparency-1/HS-S5-17-13.pdf>

Summary attached as appendix 3.

4 ENGAGEMENT

- 4.1 All the documents discussed above have been broadly discussed by the authors with stakeholders and are free available on the internet.

5 POLICY IMPLICATIONS

- 5.1 There are no further policy implications in this report.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

- 7.1 Financial – none
- 7.2 Personnel – none
- 7.3 Other – none

8 BACKGROUND PAPERS

- 8.1 None

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DATE	5 December 2017

Appendix 1 - Audit Scotland – NHS In Scotland 2017

Key messages

1. Every day the NHS provides vital services to thousands of people across Scotland. It has a budget of around £13 billion each year, equivalent to 43 per cent of the overall Scottish budget in 2016/17. At some time in their lives, everyone in Scotland will use a service provided or funded by the NHS, from dentists and GPs to hospital services such as maternity and orthopaedics. In 2016/17, the NHS in Scotland employed almost 140,000 whole-time equivalent staff, performed 1.5 million hospital procedures and conducted an estimated 17 million GP consultations.
2. The NHS in Scotland is 70 years old next year. In the intervening decades since it was set-up demographic and health trends have changed significantly and demand for services has increased dramatically. We have reported many times on the challenges facing the NHS including increasing costs, growing demand, and the continuing pressures on public finances. In 2016/17, these challenges continued to intensify. Demand for healthcare services continues to increase and more people are waiting longer to be seen. For example, the number of people waiting for their first outpatient appointment increased by 15 per cent in the past year and there was a 99 per cent increase in the number of people waiting over 12 weeks. Scotland's health is not improving and significant inequalities remain, while general practice faces significant challenges, including recruiting and retaining GPs and low morale. In the face of this, NHS staff have helped maintain and improve the quality of care the NHS provides. Yet there are warning signs that maintaining the quality of care is becoming increasingly difficult. The findings in this year's report illustrate why the way healthcare is planned, managed and delivered at all levels in Scotland must change.
3. Healthcare is likely to look very different in future. Health and social care integration marks a significant change in how the different parts of the health and social care system work together and how the Scottish public will access and use services in future. Yet the scale, complexity, and interdependencies of health and social care make achieving the changes needed a highly complicated and long-term undertaking. A number of factors provide a positive basis on which to build. Scotland has had a consistent overall policy direction in health for many years and there is broad consensus on the aim that everyone will be able to live longer, healthier lives at home or in a homely setting. Staff remain committed to providing high-quality care and there is a continued focus on safety and improvement. Levels of overall patient satisfaction continue to be high and the Scottish public hold the NHS in high regard. There are also early signs that changes in the way services are planned and delivered are beginning to have a positive impact. For example, delayed discharges have reduced in a number of areas and this provides opportunities for sharing learning across the country.
4. There is no simple solution to addressing the issues facing the NHS and achieving the changes required. Previous approaches such as providing

more funding to increase activity or focusing on specific parts of the system are no longer sufficient. Attention needs to focus on overcoming a number of barriers to change. Managing the health budget on an annual basis is hindering development of longer-term plans for moving more care out of hospital. It is still not clear how moving more care into the community will be funded and what future funding levels will be required. A clear long-term financial framework is a critical part of setting out how change will happen and when. Culture change is an essential part of transforming health and social care services. A different way of involving the public and staff in how they access, use and deliver health and care services is needed to help make the necessary difficult decisions. More information about how the NHS is working and the impact changes have on different parts of the system would help. For example, there are indicators measuring access to acute care services, such as hospitals, but there is little or no monitoring of activity levels and still little public information about primary care, such as GP practices, and community care.

Recommendations

To provide the foundations for delivery of the 2020 Vision and changing the way healthcare services are provided:

The Scottish Government should **(paragraphs 63–70)**:

develop a financial framework for moving more healthcare into the community which identifies:

- the anticipated levels of funding available for future years across the different parts of the healthcare system

- how funding is anticipated to be used differently across NHS boards and integration authorities to change the way services are delivered

develop a longer-term approach to financial planning to allow NHS boards and integration authorities flexibility in planning and investing in the longer-term policy aim of developing more community-based services.

The Scottish Government, in partnership with NHS boards and integration authorities, should **(paragraphs 71–78)**:

develop a capital investment strategy to ensure the NHS Scotland estate is appropriate for delivering more regional and community-based services

continue to develop a comprehensive approach to workforce planning that:

- reflects forecasts of future staffing and skills requirements to deliver changing models of healthcare provision at regional, local and community level

- provides a clear breakdown of transitional and future costs to meet

projected demand through additional recruitment and training.

To improve governance, accountability and transparency:

The Scottish Government should **(paragraphs 61–62)**:

develop a robust governance framework for the delivery of the *Health and Social Care Delivery Plan*. This should:

set out all the work currently under way and planned, and the interrelationships between them

move on from statements of intent to developing the specific actions, targets and timescales to deliver all of its workstreams and plans, to allow better oversight and progress to be assessed and reported publicly

simplify and make clear the lines of accountability and decision-making authority between the Health and Social Care Delivery Plan Programme Board and major work programme delivery oversight groups, regional boards, NHS boards and integration authorities

improve transparency by including measures of performance covering all parts of the healthcare system which include indicators of quality of care in addition to indicators of access.

The Scottish Government and NHS boards should **(paragraphs 18–26)**:

work together to develop a consistent way of measuring and reporting savings to ensure that it is clear how boards have planned and made savings, and what type of savings they have made.

To promote the culture change necessary to move to new ways of providing and accessing healthcare services:

The Scottish Government should (paragraph 87):

work with the entire public sector to develop a shared commitment to, and understanding of their role and interrelationships in improving public health and reducing health inequalities.

The Scottish Government, NHS boards and integration authorities, should **(paragraphs 83–84 and paragraphs 53–56)**:

continue to work with the public, local communities and staff to develop a shared understanding and agreement on ways to provide and access services differently

work together to embed the principles of 'realistic medicine' in the way they work, monitor progress in reducing waste, harm and unwarranted variation; and creating a personalised approach to care.

Appendix 2 - Audit Scotland – Review of Councils 2017

1. Councils' financial challenges continue to grow. Funding reductions are compounded by increasing costs and demands on services. In response, councils have needed to achieve ambitious savings plans, including around £524 million of savings for 2016/17.
2. Councils are showing signs of increasing financial stress. They are finding it increasingly difficult to identify and deliver savings and more have drawn on reserves than in previous years to fund change programmes and routine service delivery. Some councils risk running out of General Fund reserves within two to three years if they continue to use them at levels planned for 2017/18.
3. Debt increased by £836 million in 2016/17 as councils took advantage of low interest rates to borrow more to invest in larger capital programmes. Councils' debt levels are not currently problematic, but some are becoming concerned about affordability of costs associated with debt within future budgets.
4. Councils' budget-setting processes for 2016/17 were complicated by late confirmation of funding from the Scottish Government and the funding arrangements for integrating health and social care. Councils' expenditure and use of reserves often differed noticeably from that originally planned, indicating the need for budget-setting to become more robust and reliable.
5. All councils received an unqualified audit opinion on their 2016/17 accounts but auditors found that in several councils financial management could be improved. Councils can use their accounts to more clearly explain their financial performance over the whole year to support better scrutiny.
6. The financial outlook for councils continues to be challenging, with the need to deliver savings being increasingly critical to their financial sustainability. As such, robust medium-term financial strategies and effective leadership to deliver them are of increasing importance.

Appendix 3 – Professor Sir Harry Burns - Targets and Indicators in Health and Social Care in Scotland - a Review

Conclusions

1. Indicators and targets have been effective in improving performance in a number of areas of health and social care in Scotland. However, current thinking suggests that our present system can be improved upon in terms of its effectiveness in improving services.
2. Principles, which should underlie the development of guidelines and targets, have been identified. An important first principle is to understand why indicators and targets are being used. This review has assumed that the guiding principle for the use of such indicators should be the Scottish Government's purpose of allowing all of Scotland to flourish through achieving sustainable, inclusive growth. Other characteristics of effective indicators include the fact that they are pragmatic, coproduced and subject to continuing review. They should also reflect the performance across the whole system they are trying to measure.
3. The present system of targets and indicators is fragmented and many of the indicators do not lend themselves to effective improvement interventions. A different approach to targets and indicators is necessary.
4. Current indicators have been grouped according to their impact on different stages of the life course. If the aim is to improve healthy life expectancy and wellbeing of individuals, then different indicators have impact on different aspects of the life course.
5. Improving early life, social and economic circumstances of people living with deprivation as well as improving health and social services are all interventions which interact to increase healthy life expectancy. If an effective group of indicators, which would assist continuing improvement, are to be developed, we need to see the drivers of wellbeing as part of a complex system.
6. It is recommended that we move to a system of indicators and targets which allow improvements across a whole system of care to be tracked. It is important that frontline staff, managers accountable for performance and the people who use services coproduce the activities which they can then use to drive improvement.
7. Scottish public services are effective and efficient. A new approach to improving those services can deliver further success in comparison to many other systems

Appendix 4 - Health and Sports Committee - Looking ahead to the Scottish Government Health and Sport Draft budgets 2018-19

Summary

127. It is our task to monitor the spending of in excess of £8billion by the IAs, to evaluate how this is being undertaken and we are disappointed at the apparent lack of progress in the true integration of budgets. We have heard each blaming the others for the lack of progress. At a basic level it is unacceptable 2 years on (that it is impossible to evaluate spending, or begin to evaluate outcomes.
128. IAs are the vehicle which have been tasked to deliver the shift in the balance of care. In this report we have identified some of the challenges which are being faced by IAs including areas such as the setting of budgets, measuring the outcomes of their investment and shifting resource to ensure transformational change in health and social care. These are issues which the Committee has returned to several times in the last two years.
129. In order to be a success it is vital that IAs tackle these challenges. We have the clear sense these matters are being allowed to drift and are repeatedly told change in the NHS takes time. After two years we expected to have seen more progress towards meeting the aims Parliament endorsed when passing the legislation.
130. There needs to be clear leadership provided by the Chief Officers of each IA in line with direction provided by the Scottish Government to drive this change forward and ultimately ensure its delivery. IAs are accountable for the spending of over £8bn of public money and the current difficulties they are facing cannot be allowed to continue indefinitely.
131. We remain concerned those leading IAs require to rise to and address the challenges preventing change from occurring. In our view that is their fundamental challenge and one upon which we expect to see significant progress being made forthwith.
132. Finally we are disappointed at the absence of data to identify and evaluate outcomes, including spending and savings. To our mind this would be unacceptable in any small organisation never mind ones responsible for this level of public money. This requires to be rectified immediately and a mechanism for facilitating scrutiny and benchmarking established.



REPORT TO: East Lothian Integration Joint Board
MEETING DATE: 12 December 2017
BY: Chief Finance Officer
SUBJECT: Audit & Risk Chairs meeting – follow-up workshop

7

1 PURPOSE

- 1.1 The purpose of this report is to update the Committee on the meeting of the Chief Internal Auditors of the Lothian IJBs and NHS Lothian.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the report.

3 BACKGROUND

- 3.1 At the October meeting, the Committee received a paper entitled 'Audit and Risk Information sharing principles'. This paper recommended agreeing to the pan-Lothian risk information sharing framework which simply agree to share all the papers from all the four IJB audit and risk committees along with those papers from NHS Lothian. The Council Audit & Governance Committee meetings being held in public.
- 3.2 This work had come from a meeting of IJB and NHS Lothian A&R chairs and a further meeting was held on 2/10/17. The A&R committee was represented by its Chair and the CFO. It was agreed at this meeting that a workshop of the appropriate IJB and Lothian Chief Internal Auditors be set up and that meeting would also include the NHSiL Director of Finance and be chaired by the chair of the NHS Lothian Audit and Risk committee.
- 3.3 A verbal report on this audit chairs meeting was presented to the committee at its October meeting and it was agreed that a further report on the workshop be brought back to the committee.
- 3.4 A set of notes has been prepared and these are attached to this report.

4 ENGAGEMENT

4.1 This matter has been discussed by the Committee and the IJB.

5 POLICY IMPLICATIONS

5.1 There are no new policy implication arising from this report.

6 INTEGRATED IMPACT ASSESSMENT

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

7.1 Financial – None

7.2 Personnel – None

7.3 Other – None

8 BACKGROUND PAPERS

8.1 None

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DATE	5 December 2017

Present: Mike Ash (NHS Lothian ARC chair), Joanne Brown (NHS Lothian Chief Internal Auditor), Sue Gibbs (NHS Lothian Quality & Safety Assurance Lead), Elaine Greaves (Chief Internal Auditor, Midlothian Council); Alan Payne (NHS Lothian Head of Corporate Governance), Kenneth Ribbons (Chief Internal Auditor, West Lothian Council and West Lothian IJB), Lesley Newdall (Chief Internal Auditor of City of Edinburgh Council and Edinburgh IJB), and Susan Goldsmith (NHS Lothian Director of Finance).

Aim of the Session

To develop sustainable arrangements for the IJBs to engage with the NHS Lothian internal audit function and the NHS Lothian Audit & Risk Committee so that:

- a) The IJBs make the most effective use of the time allocated within the internal audit plan of NHS Lothian and the relevant local authority to focus on matters of particular interest to the IJBs.
- b) The IJBs make the most effective use of the output of the system of governance in NHS Lothian and the relevant local authority, so as to satisfy their own assurance needs.

Basic Principles

The discussion led to conclusion on the following key points.

1. The integration joint boards are responsible for [the carrying out of their delegated functions \(“integration functions”\)](#), and their systems of governance need to reflect this. The integration joint boards are not responsible for the functions that have not been delegated to them.
2. The integration joint boards must direct the NHS Board and the local authority to carry out the integration functions. Consequently the activities of each can be summarised as:
 - i. IJB – Strategic Planning and Performance Management
 - ii. NHS Board and local authority – operational management and delivery.

Nevertheless the IJBs do have an interest as to how integration functions are carried out, i.e. they cannot plan and direct and have complete disregard to safety, quality, legal compliance etc. The IJB members are expected to be [involved in operational oversight](#). (As a practical example, the discussion highlighted that the IJB should not need to carry out its own audit of business continuity planning arrangements, however it should be able to secure assurance from NHS Lothian and the local authority that they have appropriate arrangements in place).

Within all four integration schemes there is already the principle that in the interest of efficient governance every effort will be made to rely on the governance systems of the NHS Board and local authority. It is acknowledged that both the NHS Board and local authority are exercising

oversight of how functions and services are being carried out, and each has their own internal audit and external audit functions in place.

3. Analysis of the risk registers of the IJBs and the Health & Social Care Partnerships (“HSCPs”) shows that there are risks which are common to them all. Consequently it is quite possible that a single assurance report on a topic, or an audit report on topic, can efficiently serve the needs of several organisations.
4. Internal audit reports are not the only source of assurance available to IJBs. As an example, NHS Lothian produces an annual Governance Statement which is underpinned by annual reports from the Board’s committees – these could be made available to the officers/ chief internal auditors of the IJBs. Additionally executive management (including IJB Chief Officers) can provide assurance directly to IJBs and their committees.

A Way Forward

The above principles led to the following implications for internal audit plans.

- 1) The IJB Chief Internal Auditor will need to do specific internal audits relating to the strategic planning, performance management, and governance for the IJB.
- 2) The IJB internal audit plan should also include audits of the processes which allow the IJB to take assurance from NHS Lothian’s and the local authority’s system of governance.
- 3) The work of the NHS Lothian internal audit function and the local authority function is carried out on behalf of NHS Lothian and the local authority respectively. These audits are not carried out on behalf of the IJBs. It is for NHS Lothian and the local authority to seek assurance as part of their systems of governance, and the IJBs should be able to rely on those systems.
- 4) It should be possible for the IJB Chief Internal Auditor to start with a complete internal audit universe for the IJB, and through a filtering process, arrive at a list of unaudited areas to inform the request fed into the internal audit planning processes of NHS Lothian and the local authority. (*The diagram below illustrates this concept*)
- 5) The Chief Internal Auditors of NHS Lothian and the local authority can determine the best way to accommodate the IJB request within their internal audit plans. It is possible that it can be done by adapting something that is already in their plans. There is the potential for the NHS Lothian Chief Internal Auditor to do an exercise that meets the needs of more than one IJB.

