



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

**THURSDAY 27 SEPTEMBER 2018
SALTIRE ROOM 1, JOHN MUIR HOUSE, HADDINGTON**

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Members Present:

Councillor S Kempson (Chair)
Ms F Ireland
Mr A Joyce
Councillor F O'Donnell

Officers Present:

Mr S Allan
Ms C Flanagan (Items 4 – 6)
Mr D King
Ms A MacDonald

Others Present:

Mr D Melly, Audit Scotland
Mr E Scoburgh, Audit Scotland

Clerk:

Ms F Currie

Apologies:

None

Declarations of Interest:

None

1. MINUTES OF THE IJB AUDIT AND RISK COMMITTEE MEETING OF 28 JUNE 2018

The minutes of the East Lothian IJB Audit and Risk Committee meeting held on 28 June 2018 were approved.

2. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF 28 JUNE 2018

The following matters arising from the minutes of 28 June were discussed:

(Item 4(a)) – The Chair noted that the recommendation included in the Internal Audit report had been implemented and that update on Delayed Discharges was now provided at each IJB meeting. She asked whether information from NHS Lothian's TrakCare system could also be given to members, perhaps at every alternate meeting of the IJB. Alison MacDonald said that information on broad themes taken from the system could be presented to members and she agreed with the suggestion of every second meeting.

(Item 7) – David King referred to the suggestion of a presentation on the Datix system used by NHS Lothian and the possibility of a meeting solely to consider this and the risk register. The Chair agreed that it would be useful to have dedicated session on these matters.

(Item 2) – Councillor Fiona O'Donnell asked if any progress had been made on the 'virtual library' for the IJB and suggested that it could be used for sharing data from the TrakCare system and on delayed discharges more generally.

Fiona Ireland said that there was a proposal within NHS Lothian to provide read-only access to all Committee papers using a new software package. She suggested that linking into this might be a way of achieving a 'virtual library' for the IJB.

Ms MacDonald agreed to look into this and provide an update to members.

3. INDEPENDENT AUDITORS' REVIEW OF THE ANNUAL ACCOUNTS 2017/18

A report was submitted by the Chief Finance Officer presenting the Independent Auditors' review of the IJB's annual accounts for 2017/18.

Mr King introduced the report summarising the procedure for preparation and approval of the IJB's annual accounts and advising members that Esther Scoburgh and Daniel Melly would present the independent auditors' report.

Ms Scoburgh outlined the contents of the covering letter which accompanied the auditors' report and confirmed that it was their intention to issue an unqualified audit opinion. She also referred members to the letter of representation which would be signed and submitted by the Section 95 officer.

Daniel Melly summarised the findings of the auditors' report including the key messages, financial management and sustainability, governance, transparency and value for money. He also drew members' attention to the action plan containing recommendations for improvement and the summary of significant risks identified during the audit planning process.

The Chair welcomed the auditors' report and the recommendations. She observed that the IJB continued to face a challenging situation with regard to financial sustainability and needed to develop proposals to address this. She also referred to the rate of house building in East Lothian, the implications for health services and whether the IJB had a greater role to play.

Ms MacDonald acknowledged these concerns and explained that health funding moved with the patient but in the case of a development such as Blindwells – a new town – additional funding had to be agreed. She also referred to proposals for new care homes and their impact on associated local health services.

Ms Scoburgh commented that significant work had already been done on this issue during the preparation of the Local Development Plan and she suggested that the Chair may wish to contact the Council's Head of Development for further information.

Mr King and Ms Scoburgh responded to further questions from members. Mr King confirmed that plans were underway to develop a financial risk sharing framework and he outlined the impact that receiving late information had on the financial planning process. Ms Scoburgh advised that other IJBs had similar issues in relation to the receipt of late information and she acknowledged that this was not solely the responsibility of the IJB. She also offered a correction to the information contained in the report recommendations.

Decision

The Committee agreed to:

- (i) Note the Independent Auditors' review of the IJB's annual accounts;
- (ii) Support the Auditors' recommendations; and
- (iii) Recommend the annual accounts to the IJB.

4. RISK – PARTNERS' KEY RISKS AND ANY POTENTIAL IMPACT ON THE IJB

A report was submitted by the Chief Finance Officer providing the Committee with an update of the operational risks held within the partner risk registers of both East Lothian Council and NHS Lothian, as they relate to the East Lothian Health & Social Care Partnership, and therefore allowing information on key risks held and their mitigation.

Mr King presented the report indicating that this had been prepared in response to requests from the Committee for further information on the operational risks of the Health & Social Care Partnership which may impact on the IJB's ability to deliver its Strategic Plan. He reminded members that the IJB had no authority to directly manage these risks and must instead rely on its partners for reassurance. He invited members to consider the risks outlined and whether any were of so significant a nature as to require inclusion in the IJB's risk register.

Councillor O'Donnell asked about the risk of the market determining where care is to be provided. She referred to applications for care homes that come before the Council's Planning Committee and the fact that their potential impact on health or social care services was not viewed as relevant grounds for rejecting such applications.

Ms MacDonald acknowledged the point and said that her key concern was the general medical services which surround any care home, as these developments did not provide their own medical staff.

Mr King noted the concerns of members and suggested that this issue be included in the risk register and consideration given on how to manage this risk.

The Chair asked about staff costs and whether the IJB had any influence to provide incentives in areas such as GP recruitment. She also commented on problems with retention of younger staff and the need to understand why they tended to move on so quickly.

Ms MacDonald explained that GPs were subject to a national contract, however she referred to the new service in Musselburgh and proposals to develop a primary care strategy as ways of improving recruitment rates. She also mentioned special arrangements for areas with higher levels of deprivation where recruitment of GPs was generally more difficult.

Ms Ireland asked about the best way to link these operational risks to the IJB's Directions and to ensure that appropriate measures are being taken to manage the risks. She advised members that the new Clinical and Care Governance Committee would pull together some of this information which could then be passed onto the Audit & risk Committee to ensure that the necessary controls were in place. She also suggested that the IJB may need to consider whether additional Directions were required.

Councillor O'Donnell added that the new Change Boards would have a role to play and it would be important to have an awareness of the work they were doing.

Ms MacDonald acknowledged the need to provide assurance to the IJB that action plans were in place to manage the risks.

Decision

The Committee agreed to:

- (i) Note the operational risks; and
- (ii) Consider if any further risks should be added to the risk register.

5. AOCB

None.

6. DATE OF NEXT MEETING

The Committee agreed to a proposal for an additional meeting to review the risk register and receive a presentation on NHS Lothian's Datix system. The meeting was arranged for 2.00pm on Thursday 10 January 2019 in the Council Chamber, Town House, Haddington.

In the meantime, the next scheduled meeting of the Committee would take place on Tuesday 18 December 2018 at 2.00pm.

The Chair closed the meeting by offering her thanks to Mr King for his contributions as Chief Finance officer and wishing him a very happy retirement.

Signed

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Councillor Susan Kempson
Chair of the East Lothian IJB Audit and Risk Committee

East Lothian Integration Joint Board

Annual Audit Plan 2018/19

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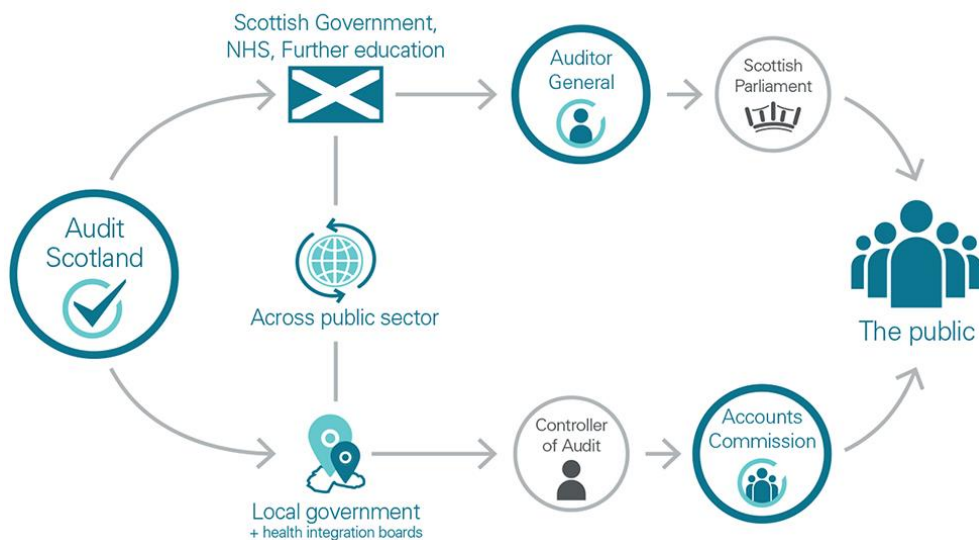
 AUDIT SCOTLAND

Prepared for the Members of the East Lothian Integration Joint Board
December 2019

Who we are

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

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



About us

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

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

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

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value

3. We aim to add value to the East Lothian Integration Joint Board (the IJB) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In doing so, we intend to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the IJB. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<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 to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Testing of journal entries and accruals.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Service auditor assurances will be obtained from the auditors of East Lothian Council and NHS Lothian over the completeness, accuracy and allocation of the income and expenditure.</p>
<p>2 Risk of fraud over expenditure</p> <p>The expenditure of the IJB is processed through the financial systems of East Lothian Council and NHS Lothian.</p> <p>There is a risk that non-IJB related expenditure is incorrectly coded to the IJB account codes.</p>	<p>Robust budget monitoring.</p> <p>Assurances to be provided to the IJB by East Lothian Council and NHS Lothian on the completeness and accuracy of transaction coded to IJB account codes.</p>	<p>Service auditor assurances will be obtained from the auditors of East Lothian Council and NHS Lothian over the completeness, accuracy and allocation of the income and expenditure.</p> <p>A sample of audit testing to confirm the accuracy and</p>



Audit Risk

Source of assurance

Planned audit work

correct allocation of IJB transactions during 2018/19.

Wider dimension issues and risks

2 Financial management

There is no obligation set out within the integration scheme for either partner to address any end-year overspend for the IJB. Current forecasts indicate that the IJB will overspend in 2018/19, as it has done in the previous two years before the partners provided additional funds. The partners have indicated that their previous position of funding any end-year overspends is unsustainable.

There is a risk that the IJB will be left with an unfunded overspend at year-end with no clear accountability for which party is responsible for addressing this.

In line with the protocol set out in the integration scheme, the partners are currently preparing recovery plans to achieve a break-even position.

Ongoing review of CFO financial updates to the Board.
Review of recovery plans put in place by partners for reasonableness.

3 Financial sustainability

The IJB is currently developing a three-year financial plan, recognising that the plan requires further development to consider how resources are to be re-prioritised to address issues of financial sustainability while facilitating a shift to community-based care.

There is a risk that the IJB in partnership with NHS Lothian and East Lothian Council may not be able to identify sustainable savings measures or meet cost pressures as they arise. A key element of this is the long term (3-5 year) financial plan to ensure members of the board are aware of the cost pressures facing the IJB which could affect future service delivery.

Financial assurance paper to February 2018 IJB on progress towards financial plans.

Financial plan to be in place by March 2019.

Attendance and review of minutes of Board meetings to assess progress towards developing and agreeing a long term financial plan.

4 Governance and transparency


The most recent data from the Quarter 2 financial report forecasts an overspend for 2018/19. To date there has been limited information presented to the Board or Audit and Risk Committee with respect to recovery plans to address this overspend.

There is a risk that the IJB is taking decisions on financial sustainability without adequately detailed information to do so.

Financial updates routinely provided to IJB.

Financial plan to be in place by March 2019.

Ongoing review of CFO financial updates to the Board for evidence of details of recovery plans.

 Audit Risk	Source of assurance	Planned audit work
<p>5 Governance and transparency</p> <p>The Integration Scheme requires the IJB to produce, with the help of its partners, a joint workforce development support plan which is intended to support the IJB's Strategic Plan. The workforce plan is still in development.</p> <p>There is a risk that without a workforce plan, the IJB may not be able to adequately deliver its strategic objectives.</p>	<p>Workforce plan to be in place by March 2019.</p>	<p>Attendance and review of minutes of Board meetings to assess progress towards developing and agreeing a joint workforce plan.</p>
<p>6 Governance and transparency</p> <p>The IJB recently approved its Risk Management Strategy and Policy and continues to develop its risk management arrangements. The IJB is still considering how best to identify and mitigate those operational risks for the partners that are also strategic risks for the IJB. This could impact on the IJB's ability to deliver its strategic plan.</p> <p>There is a risk that current IJB risk management arrangements may fail to capture and report the operational risks being managed by partners that are also strategic risks to the IJB.</p>	<p>IJB Risk Register reviewed and updated through Audit & Risk Committee.</p>	<p>Ongoing review of IJB Board / Audit and Risk Committee risk discussions and risk registers.</p>
<p>7 Value for money</p> <p>It is a statutory requirement for the IJB to demonstrate that it is delivering best value by assessing and reporting on economy, efficiency, effectiveness and equality in service provision, in line with the Scottish Government Best Value Framework.</p> <p>There is a risk that the IJB is not complying with best value reporting requirements.</p>	<p>The IJB meetings are formally reported to, and minuted.</p>	<p>Attendance and review of minutes of Board meetings to assess progress towards demonstrating best value.</p> <p>Review of 2018/19 Annual Performance Report for inclusion of best value assessment.</p>

Source: Audit Scotland

Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in Exhibit 2, and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the IJB and Accounts Commission setting out our opinions on the annual accounts. We will provide the Chief Officer, Chief Financial Officer (the 'proper officer'), members of the East Lothian IJB Audit and Risk Committee and the Accounts Commission with an

annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	10 January 2019	10 January 2019
Annual Audit Report including ISA 260 requirements	By 30 September 2019	TBC
Independent Auditor's Report	By 30 September 2019	TBC

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2018/19 audit of the IJB is £25,000 (2017/18: £24,000). In determining the audit fee we have taken account of the risk exposure of the IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 30 June 2019.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit and Risk Committee and Chief Financial Officer

10. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

11. The audit of the financial statements does not relieve management or the IJB's Audit and Risk Committee, as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the 1973 Act for Local Government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

13. Auditors in the public sector give an independent opinion on the financial statements and other information within the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial Statements

14. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the IJB and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

15. We will give an opinion on whether the financial statements:

- whether they give a true and fair view of the financial position of the IJB and its expenditure and income;
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.



Other information in the financial statements

16. We also review and report on other information published within the financial statements including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

17. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

18. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

19. We calculate materiality at different levels as described below. The calculated materiality values for the IJB are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018 based on the latest audited financial statements for 2017/18.	£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 planning materiality.	£1.2 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£15,000



Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the financial statements timetable is agreed with us to produce the unaudited financial statements. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4

Financial Statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	By 30 June 2019
Latest submission date of unaudited financial statements with complete working papers package	By 30 June 2019
Latest date for final clearance meeting with Chief Financial Officer	TBC
Issue of Letter of Representation and proposed independent auditor's report	By 30 September 2019
Agreement of audited unsigned financial statements	By 30 September 2019
Issue of Annual Audit Report including ISA 260 Report to those charged with governance	By 30 September 2019
Independent auditor's report signed	By 30 September 2019

Internal audit

21. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

22. Internal audit for the IJB is provided by East Lothian Council and is overseen by their Internal Audit Manager who is also the Chief Internal Auditor for the IJB. We will carry out an assessment of the internal audit function at East Lothian Council and conclude on it as part of the East Lothian Council audit planning in January 2019. This will check to ensure that the internal audit function has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

23. We take audit assurance from the external auditors of East Lothian Council over the ledger information used to prepare the IJB accounts. We will not place formal reliance on the work of internal audit to reduce our financial statements audit testing, but we will take account of all their work to inform our wider dimension audit responsibilities in the following areas:

- Adult Services – residential care
- Adult Services – payments on schedule
- Adult Services – transport.

Audit dimensions

24. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

25. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

26. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the IJB's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

27. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

28. 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. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

29. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- The IJB can provide evidence that it is demonstrating value for money in the use of its resources.
- The IJB can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- The IJB can demonstrate that outcomes are improving.

Other planned audit work

30. The following areas may present significant risks to the East Lothian IJB:

- EU withdrawal, specifically looking at implications for workforce, finance, regulation and the supply of drugs and other medical supplies
- The changing landscape for public financial management
- Dependency on key suppliers
- Openness and transparency, reviewing the approach to openness and transparency to ensure it is keeping pace with public expectations and good practice.

31. As part of our 2018/19 audit we will be looking at how these areas are being managed by the East Lothian IJB.

Independence and objectivity

32. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

33. The engagement lead (i.e. appointed auditor) for the East Lothian Integration Joint Board is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the East Lothian Integration Joint Board.

Quality control

34. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

35. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

36. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

East Lothian Integration Joint Board

Annual Audit Plan 2018/19

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REPORT TO: East Lothian IJB Audit and Risk Committee

MEETING DATE: 10 January 2019

BY: Chief Finance Officer

SUBJECT: Scottish Government Medium Term Health & Social Care
Financial Framework

4

1 PURPOSE

- 1.1 This report summarises the recent publication by Scottish Government of its medium term health and social care financial framework.

2 RECOMMENDATIONS

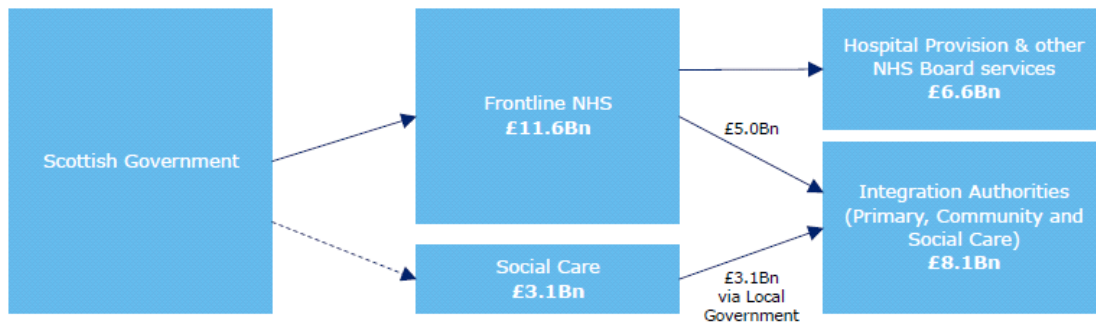
- 2.1 The Committee is asked to:
- i. Note the publication of the Financial Framework
 - ii. Note the key messages as a result of these reports

3 BACKGROUND

- 3.1 The Scottish Government Medium Term Health & Social Care Financial Framework was announced by the Cabinet Secretary for Health and Sport in a Ministerial Statement in Parliament on 4 October 2018. The publication of the report followed (<https://www.gov.scot/publications/scottish-government-medium-term-health-social-care-financial-framework/>).

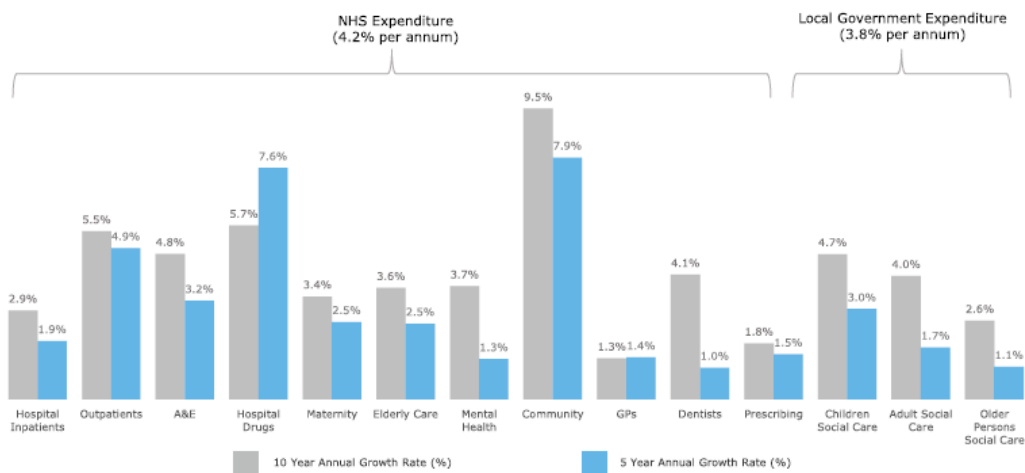
Key Messages

- 3.2 The financial framework provides parameters for local systems to plan both financially and for reform. Nationally over £14 billion of funding is invested into frontline healthcare and social care services of which £8 billion flows into integration authorities.



Source:
 Scottish Government Medium Term Health and Social Care Financial Framework
 Published by The Scottish Government, October 2018

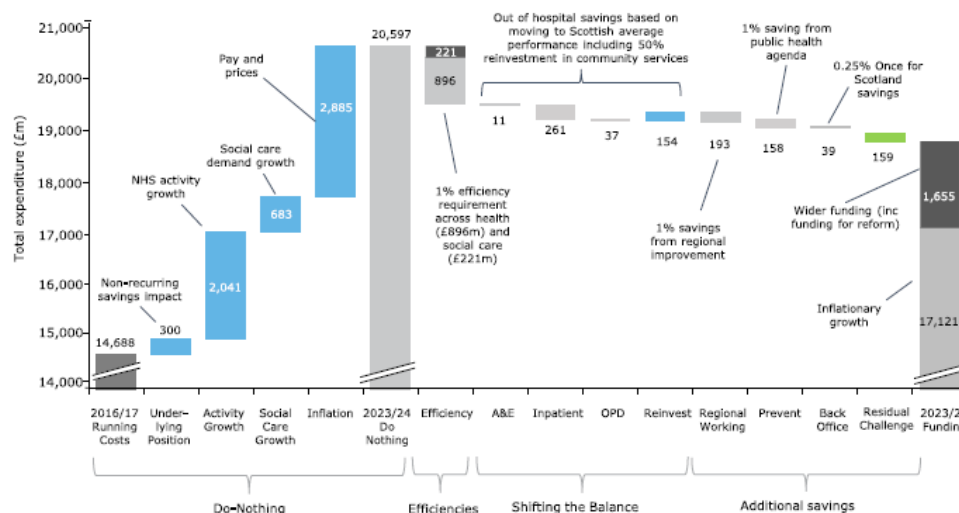
3.3 The framework highlights national historical expenditure trends showing growth as much as 9.5% for community services over the past 10 years and for that reason such levels of growth therefore require the need for reform.



Source:
 Scottish Government Medium Term Health and Social Care Financial Framework
 Published by The Scottish Government, October 2018

3.4 The five reform areas of health and social care highlighted as contributing are shifting the balance of care (a move out of acute hospital based care to local community provisions), regional working – providing productivity savings of 1%, public health and prevention – delivering a 1% reduction in demand, once for Scotland – assuming 0.25% reduction in costs and annual savings plans – a 1% assumption around delivering the ongoing productivity and efficiency savings on an annual basis.

Bridging the Gap Analysis (£m)



Source:
 Scottish Government Medium Term Health and Social Care Financial Framework
 Published by The Scottish Government, October 2018

3.5 There is ongoing dialogue nationally with Chief Finance Officers, Scottish Government and COSLA to review and move forward this framework.

4 ENGAGEMENT

4.1 The IJB's Audit and Risk Committee is held in public and the papers are available on East Lothian Council's website.

5 POLICY IMPLICATIONS

5.1 The framework focuses on supporting the implementation of the Public Bodies (Joint Working) (Scotland) Act 2014. There are no further policy implications arising from this paper.

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

AUTHOR'S NAME	Claire Flanagan
DESIGNATION	Chief Finance Officer
CONTACT INFO	claire.flanagan@nhslothian.scot.nhs.uk
DATE	18 December 2018



REPORT TO: East Lothian IJB Audit and Risk Committee
MEETING DATE: 10 January 2019
BY: Chief Finance Officer
SUBJECT: Audit Scotland Reports – Integration, Health & EU
Withdrawal

5

1 PURPOSE

- 1.1 This report summarises the findings of recent Audit Scotland reports regarding progress with health and social care integration and also a further Audit Scotland Report on EU withdrawal.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- i. Note the publication of the Audit Scotland Reports; and
 - ii. Support the proposal to report to a future meeting of the IJB any lessons and actions required in East Lothian as a result of these reports.

3 BACKGROUND

Health and Social Care Integration – An Update on Progress

- 3.1 This report was prepared by Audit Scotland and published on 15 November 2018: <http://www.audit-scotland.gov.uk/report/health-and-social-care-integration-update-on-progress> .
- 3.2 Key Messages: The report highlights that a stronger commitment is needed to collaborative working to achieve the long-term benefits of integration. It goes on to say that change will not happen without meaningful engagement with staff, communities and politicians. The report is also critical of financial planning arrangements being neither integrated nor long-term.

- 3.3 In summarising the key features that must be addressed if integration is to make a meaningful difference to the people of Scotland, the report notes the following:
- Collaborative leadership and building relationships
 - Integrated finances and financial planning
 - Effective strategic planning for improvement
 - Agreed governance and accountability arrangements
 - Ability and willingness to share information
 - Meaningful and sustained engagement
- 3.4 A development session was held with NHS Lothian senior executive colleagues, IJB Chief Officers, chairs and vice chairs and Council Chief Executives within the Lothian area on 4 December to discuss the report in more detail and a verbal update on the output from this meeting will be shared with the Committee.

NHS in Scotland 2018

- 3.5 This report was prepared by Audit Scotland and was published in October 2018 <http://www.audit-scotland.gov.uk/report/nhs-in-scotland-2018>.
- 3.6 Key Messages: The report concludes that NHS urgently needs to change by moving away from "short-term fire-fighting" to "long-term fundamental change" and goes on to say that in the longer term the NHS is not in a financially sustainable position.

Withdrawal from the European Union

- 3.7 This report was also prepared by Audit Scotland and published in October 2018 <http://www.audit-scotland.gov.uk/report/withdrawal-from-the-european-union> .
- 3.8 Key Messages: The report highlights the keys issues for Public Bodies regarding withdrawal from the European Union. It suggests for public bodies to be asking themselves and classifies the issues into three themes people, finance and rules and regulations.
- 3.9 Scottish Government estimates 4.4 per cent of the total health and social care workforce in Scotland are non-UK EU nationals. Similarly Scottish Care estimates 6 – 8 per cent of the workforce in the independent social care nursing sector are from a non-UK European Economic Area and the General Medical Council highlights that almost 6 per cent of doctors working in Scotland obtained their primary medical qualification in a non-UK EEA country.

- 3.10 Public bodies may see an increase in the cost and availability of other essential goods and services an example of this may be it could take longer and be more expensive for NHS boards to access medicine or medical equipment.

4 ENGAGEMENT

- 4.1 The IJB's Audit and Risk committee is held in public and the papers are available on East Lothian Council's website.

5 POLICY IMPLICATIONS

- 5.1 The framework focuses on supporting the implementation of the Public Bodies (Joint Working) (Scotland) Act 2014. There are no further policy implications arising from this paper.

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	18 December 2018



REPORT TO: East Lothian IJB Audit and Risk Committee
MEETING DATE: 10 January 2019
BY: Chief Finance Officer
SUBJECT: Risk Register - update

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1 PURPOSE

- 1.1 This report updates the IJB's risk register, the current version being attached as an appendix.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to consider the risk register and to agree:-
- i. Should further risks be added?
 - ii. Are the risk mitigation actions adequate?

3 BACKGROUND

- 3.1 The IJB maintains a risk register as part of its overall governance processes. The most up-to-date version of the IJB's risk register is attached to this report.
- 3.2 The risk register has been developed and maintained in line with the draft risk strategy and risk management policy which were considered by the Committee previously at this meeting.
- 3.3 The Committee is invited to consider the attached risk register and, given the agreed risk strategy and policy, consider if any further risks should be included and if the risk mitigations actions are adequate.

4 ENGAGEMENT

- 4.1 The IJB's Audit and Risk committee is held in public and the papers are available on East Lothian Council's website.

5 POLICY IMPLICATIONS

5.1 There are no further policy implications arising from this paper.

5 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.

6 RESOURCE IMPLICATIONS

7.1 Financial – none.

7.2 Personnel – none.

7.3 Other – none.

7 BACKGROUND PAPERS

8.1 Risk Strategy and Risk Management policy – presented to the committee at this meeting.

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Appendix – Risk Register

East Lothian IJB Risk Register with Action Plan

ID	Risk level	Title	Description	Controls in place	Adequacy of controls	Risk level (current)	Rating (current)	Risk level (Target)	Rating (Target)	Action Plan in Place
3924	Integration Joint Board	Financial resources may be insufficient to sustain the Strategic Plan	There is a risk that the financial challenges faced by the NHS and East Lothian Council will result in allocations to the IJB that do not allow the Strategic Plan to be delivered leading to the failure to achieve outcomes and targets.	<ol style="list-style-type: none"> 1. Financial assurance process carried out by IJB 2. Engagement of IJB Officers and members in NHS and Council budget setting processes 3. Regular performance monitoring reports to IJB 4. Scheme of Integration risk sharing and dispute resolution processes 5. IJB Chief Finance Officer in post 6. Strategic Planning Group in place 7. Strategic Plan Programme Board established and meeting regularly to deliver Strategic Plan within the financial resources available 8. Detailed efficiency and recovery plans are in place for operational teams to 'break even' in 2017/18. 9. There is a programme of meetings and discussion between IJB, Council and Health Board leading to an IJB financial planning process being approved by the IJB and supported by Council and Health Board 10. The IJB's financial strategy and three year financial plan should provide plans based on the totality of the financial resources available. 	Adequate but partially effective; control is properly designed but not being implemented properly	High	16	Medium	9	Y
4018	Integration Joint Board	Impact of Partners' Decisions	There is a risk that Partners reach decisions on priorities and services (including service reviews) that impact negatively on the IJB leading to an inability to deliver the Strategic Plan	<ol style="list-style-type: none"> 1. Involvement of IJB membership in the Partners' decision making process including voting members and Officers 2. Involvement in Partners' service reviews 3. Good working relationships and regular formal /informal meetings e.g IJB Chief Officers Group (NHS Lothian Acute attendees), meetings with Chief Executives and Chairs 	Adequate but partially effective; control is properly designed but not being implemented properly	High	16	Medium	9	Y
3925	Integration Joint Board	Operational resources may be insufficient to deliver the Strategic Plan	There is a risk that the IJB fails to achieve its targets due to insufficient access to key services and resources e.g. General Practice, Care at Home, Care Homes, Health Visiting, Housing, acute services etc leading to failure to deliver the Strategic Plan resulting in risk to patients' and clients'	<ol style="list-style-type: none"> 1. The Strategic Plan sets out clear priorities 2. IJB directions are clear about actions required by NHS and Council 3. The Partnership Management Team is focussed on ensuring adequate resources are in place for delegated functions to deliver the Strategic Plan 4. NHS Lothian is focussed on ensuring adequate resources are in place for set-aside and hosted functions to deliver the Strategic Plan 5. NHS Lothian and East Lothian Council are focussed on ensuring adequate resources are in place for non-delegated but related functions (e.g. housing), to deliver the Strategic Plan 	Adequate but partially effective; control is properly designed but not being implemented properly	High	12	Medium	6	Y

			safety, external review and reputational damage	<ul style="list-style-type: none"> 6. Quarterly Performance Report to IJB and scrutiny by the Audit and Risk Committee 7. Use of ICF and SCF to increase capacity and improve terms and conditions. 8. IJB is finalising a workforce strategy to address these issues 						
3926	Integration Joint Board	Potential Instability e.g elections / IJB changes	There is a risk that the IJB will be de-stabilised as a consequence of membership change or policy change as a result of elections and Public Sector reform leading to conflicting priorities and/or inability to make decisions	<ul style="list-style-type: none"> 1. Standing orders that control members' behaviour 2. Code of Conduct 3. Scheme of Integration which includes a dispute resolution mechanism 4. Ensuring that membership changes are not all planned at the same time e.g. stakeholder member changes are separate from voting member changes, NHS membership changes on a different cycle from the East Lothian Council membership changes 	Adequate but partially effective; control is properly designed but not being implemented properly	Medium	9	Medium	9	Y
3927	Integration Joint Board	Relationship with Partners	There is a risk that East Lothian Council and NHS Lothian do not provide the support services required to enable the IJB to fulfil its functions (e.g. financial planning, I.T. etc)	<ul style="list-style-type: none"> 1. Review of support services in place 2. Clear directions from the IJB to Partners 3. Involvement of IJB membership in Partners' decision making process 	Adequate but partially effective; control is properly designed but not being implemented properly	High	12	Medium	6	Y