



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

**TUESDAY 19 MARCH 2019
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

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Members Present:

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

Officers Present:

Mr A Allan
Ms C Flanagan
Ms M Goodbourn
Ms D Gray
Ms A MacDonald
Mr C McCurley

Others Present:

Mr M Duff, Audit Scotland

Clerk:

Ms F Currie

Apologies:

Ms F Ireland

Declarations of Interest:

None

1. MINUTES OF THE IJB AUDIT AND RISK COMMITTEE MEETING OF 10 JANUARY 2019

The minutes of the East Lothian IJB Audit and Risk Committee meeting held on 10 January 2019 were approved.

2. MATTERS ARISING FROM THE MINUTES OF 10 JANUARY

The following matters arising were discussed:

(Item 3) – The Chair referred to comments made by Audit Scotland regarding the need to ensure that the IJB had sufficiently detailed information available when making financial decisions. She asked if this information was now becoming available.

Claire Flanagan explained that she prepares a finance update for each IJB meeting including the year-to-date position, end-year projections, and the results of any discussions with the Partners. Ms Flanagan confirmed that she had had discussions with NHS Lothian regarding the use of their projected underspend and that she had written to the Council's Section 95 Officer about the risk of not achieving a balanced year end position.

(Item 4) – The Chair asked if a briefing had been arranged for Councillors on the work of the IJB.

Alison MacDonald outlined her intention to hold a programme of discussions with Councillors on a Ward by Ward basis. Councillor Fiona O'Donnell thought that this approach would work better than holding a single briefing session for all Councillors and would allow each meeting to focus on local issues and decisions.

Ms MacDonald also indicated that she and the Chair and Vice Chair of the IJB had discussed the possibility of holding IJB meetings in different venues throughout the county.

The Chair welcomed this suggestion which she hoped would improve local groups' understanding of the constraints facing the IJB as part of their decision-making.

3. INTERNAL AUDIT REPORTS

a. WORKFORCE PLANNING

A report was submitted by the Senior Auditor informing the Committee of the recently issued audit report on Workforce Planning which had been prepared by the NHS Lothian Internal Audit Team.

Colin McCurley presented the report outlining the findings of the audit and summarising the areas with scope for improvement. Five control objectives had been reviewed; of which three had received Significant Assurance and two had received Moderate Assurance. Mr McCurley reported that there had been a good level of liaison with all professional groups regarding the preparation of the plan and a good level of discussion at associated committee meetings. In respect of the findings, he highlighted the need to ensure an appropriate level of training for those staff tasked with workforce planning and the inclusion of SMART objectives and related performance indicators (KPIs) as the plan develops.

The Chair referred to the transfer of Children's Services to within the Education Service and asked about the impact on the IJB's finances. Ms Flanagan explained that although Children's Services had come under the responsibility of the Partnership it was not a function of the IJB. Therefore while the move would impact on the Partnership's finances there would be no change to the IJB's budget.

In response to questions from Councillor O'Donnell, Mr McCurley advised that the audit had looked at the process of producing the workforce plan rather than the detail of the plan itself. He also confirmed that the Scottish Government had yet to issue its guidance on the process.

Ms MacDonald indicated that the main workforce plan covered all staff and, in addition, each service would have their own plan. She added the Strategic Change Board would be involved in the development of the plans and the Partnership was also engaging with the third sector to look at the challenges and how to engage better with the third sector to identify solutions.

The Chair commented on the difficulty of pulling together all of the information from different sectors and producing a plan to deal with so many potential changes in staffing.

In reply to a question from Ms Flanagan, Stuart Allan confirmed that the change to Children's Services would be reflected in any follow-up work.

Decision

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

b. PARTICIPATION AND ENGAGEMENT

A report was submitted by the Senior Auditor informing the Committee of the recently issued audit report on Participation and Engagement which had been prepared by East Lothian Council's Internal Audit Team.

Mr Allan presented the report outlining the scope and findings of the audit and informing members that, overall, Internal Audit were able to offer Reasonable Assurance on the adequacy and effectiveness of the arrangements in place. He also drew attention to the recommendations contained in the report and confirmed that these had been accepted by Management and implementation dates agreed.

Councillor O'Donnell asked if the East Lothian Community Care Forum had been included in the audit work. Mr Allan replied that the auditors had looked more generally at the information provided to the IJB on engagement work. They had reviewed the reports submitted and had also spoken to officers. He said that the information contained in reports was not always highlighted as well as it could be. He suggested the preparation of an annual report to set out all of the engagement activities carried out and assess their effectiveness, particularly in relation to impact.

Councillor O'Donnell observed that detailed discussions often take place at other meetings than the IJB, for example Change Boards. She also commented on the need to manage people's expectations of the engagement process.

Ms MacDonald acknowledged that officers could improve the way that they lay out the parameters of each consultation and, by being clearer, avoid raising the wrong expectations.

The Chair added that there was always the danger of the loudest voices dominating the debate and it was important to get as broad a response as possible.

Mr Allan recognised that more formal routes such as the Consultation Hub were not always the best approach, however, this was only one of many options. He hoped that an annual report would identify where engagement was working well and would inform future consultations.

The Chair asked how they should assess the impact of any engagement activity. Mr Allan referred to the National Standards set out in his report and the importance of being clear about the parameters and outcomes right at the start.

Decision

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

4. IJB RISK REGISTER (DISCUSSION/UPDATING/DEMONSTRATION OF THE DATIX SYSTEM)

The Chief Officer introduced this item explaining that the IJB risk register was part of an IT platform called Datix which recorded all of the relevant information about each identified risk. She said that the Health and Social Care Partnership (HSCP) risk register was also part of the Datix system and its operational risks linked to the strategic risks in the IJB risk register. She added that the Datix system issued notifications when risks were due to be reviewed and this acted as a prompt to officers to consider and update the document as necessary.

Ms MacDonald introduced her colleagues from NHS Lothian, Melissa Goodbourn and Diane Gray, who had been invited to give a presentation on the Datix System.

Ms Goodbourn presented a brief overview of the system and how it, and the processes which supported it, could assist in the monitoring and management of risk. She began by looking at the IJB risk register which included a detailed description of each risk; the measures put in place to mitigate the risk; and whether these were adequate or if further action was required. She explained that each risk had a current risk level and a target risk level measured using a matrix of likelihood and impact. The target level related to the level anticipated once mitigation was in place.

Ms Goodbourn informed members that where there was a defined risk and mitigation measures the Datix system could assign an officer as the risk holder/manager who would be responsible for reviewing the risk, identifying any further actions required and monitoring progress. The system updated automatically when a note was added and could provide a constant record of progress. She suggested that Datix could be used to link in with reporting to the Audit & Risk Committee by prompting an update of the register prior to each meeting.

Alex Joyce asked who had the authority to alter records. Ms Goodbourn explained that she, Ms Gray and others in their team could do so but risk owners could only update or close their own assigned risks. Ms Gray added that the team could also set review dates for risks and send notifications to risk owners asking them to update the system.

Ms Flanagan suggested that the meeting dates for the Audit & Risk Committee be added to the system to ensure that an updated risk register could be presented to each meeting.

Councillor O'Donnell asked how risks were tracked on the system when they were shared between services, e.g. housing and health. Ms MacDonald explained that Housing Services had their own system for recording risks and that individual clients would have their own care plans. However, she reminded members that the IJB and HSCP risk registers were designed to manage broader strategic and operational risks.

Responding to further questions from Councillor O'Donnell, Ms Flanagan said that continually reviewing the risk register and giving it a higher priority than previously would help the IJB to achieve better outcomes. Ms MacDonald added that it was important to be aware of potential risks and understand the interconnectedness of strategic and operational risks.

Mr Joyce asked what might cause an operational risk to be elevated to a strategic risk and who or how this would be identified. Ms Flanagan said that anything which might impact on the delivery of the IJB's Strategic Plan and Directions would be considered relevant. Ms MacDonald said that many of the risks were discussed at the Clinical Care Governance Committee and other operational groups. In addition, operational managers were responsible for monitoring specific risks and there were other forums available to escalate matters if necessary.

Ms MacDonald advised members that the IJB risk register was due for review and she invited them to consider whether the updates should be made at this or the next meeting. Councillor O'Donnell indicated that she would prefer to give some further thought to the register before agreeing any changes. Ms MacDonald agreed to undertake some minor 'housekeeping' of the risk register in the meantime and to arrange for a full review and update of the document at the next meeting.

Mr Allan suggested a couple of changes to the layout of the document – including planned risk control measures and reviewing or clarifying the wording used in the adequacy of controls column. Ms Goodbourn agreed to consider how best these changes could be achieved within the parameters of the current system.

The Chair thanked Ms Goodbourn and Ms Gray for a very helpful presentation which had she said assisted her understanding of the risk register and the wider management of risk.

Decision

The Committee agreed to review and update the IJB risk register at their next meeting.

Signed

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



REPORT TO: East Lothian IJB Audit and Risk Committee
MEETING DATE: 4 June 2019
BY: Chief Finance Officer
SUBJECT: IJB Risk Register

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1 PURPOSE

This paper lays out the IJB's risk register.

2 RECOMMENDATIONS

2.1 The Committee is asked to:

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

3. BACKGROUND

3.1 As a key part of its governance process the IJB maintains a risk register. This risk register examines the risks that impact on the business of the IJB itself and not the operational risks that the IJB's partners manage unless those risks are considered so significant that they could impact on the business of the IJB – that is impact on the ability of the IJB to deliver its strategic plan.

3.2 The current version of the risk register is attached. Members are asked to consider if there are additional risks that require to be added to the register and consider if the management actions identified against these current risks provide assurance that these risks are being appropriately managed.

4 POLICY IMPLICATIONS

4.1 This paper is covered within the policies already agreed by the IJB.

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

- 6.1 Financial – there are none.
- 6.2 Personnel – there are none.

7 BACKGROUND PAPERS

- 7.1 None

Appendices

1. Risk Register

AUTHOR'S NAME	Claire Flanagan
DESIGNATION	Chief Finance Officer
CONTACT INFO	Claire.flanagan@nhslothian.scot.nhs.uk
DATE	27 May 2019

East Lothian IJB Risk Register

ID	Risk level	Title	Description	Controls in place	Adequacy of controls	Likelihood (current)	Risk level (current)	Rating (current)	Risk level (Target)	Rating (Target)	Action Plan in Place
3924	Integrated 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. Efficiency and recovery plans are developed in year by operational teams to "break even". 8. There is a programme of meetings and discussion between 	Adequate but partially effective; control is properly designed but not being implemented properly	LIKELY	High	16	Medium	9	Y
4018	Integrated 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 4. Participation in MSG self-evaluation to inform improvement actions for better partnership working. 	Adequate but partially effective; control is properly designed but not being implemented properly	LIKELY	High	16	Medium	9	Y
3925	Integrated 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' safety, external review and reputational damage	<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 	Adequate but partially effective; control is properly designed but not being implemented properly	LIKELY	High	12	Medium	6	Y
3926	Integrated 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	<ol 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	POSSIBLE	Medium	9	Medium	9	Y
3927	Integrated 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 fulfill its functions (e.g. financial planning, I.T. etc)	<ol 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	UNLIKELY	Medium	6	Medium	6	Y



REPORT TO: East Lothian IJB – Audit and Risk Committee
MEETING DATE: 4 June 2019
BY: Senior Auditor, East Lothian Council
SUBJECT: Internal Audit Report – Budget Monitoring

5a

1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of the recently issued audit report on Budget Monitoring.

2 RECOMMENDATION

- 2.1 That the Audit and Risk Committee note the contents of the audit report.

3 BACKGROUND

- 3.1 A review of Budget Monitoring was recently undertaken as part of the Audit Plan for 2018/19.
- 3.2 The main objective of the audit was to review the adequacy and effectiveness of the Budget Monitoring arrangements operating within the IJB.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 ENGAGEMENT

- 4.1 The findings from the review have been discussed with Management, but do not require wider engagement.

5 POLICY IMPLICATIONS

- 5.1 None

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	Stuart Allan
DESIGNATION	Senior Auditor
CONTACT INFO	01620 827311
DATE	27 May 2019



INTERNAL AUDIT REPORT
ON
BUDGET MONITORING

Date: May 2019

Ext: 7311

**EAST LoTHIAN IJB – INTERNAL AUDIT
BUDGET MONITORING**

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EAST LoTHIAN IJB – INTERNAL AUDIT BUDGET MONITORING

1. INTRODUCTION

- 1.1 As part of the Audit Plan for 2018/19, a review was undertaken of the budget monitoring arrangements operating within the East Lothian IJB.
- 1.2 Our main findings, recommendations and action plan from the review, form the basis of this report.

2. OBJECTIVE

- 2.1 The main objective of the audit was to review the adequacy and effectiveness of the budget monitoring arrangements operating within the IJB.

3. FINDINGS

3.1 Integration Scheme

- 3.1.1 The East Lothian Integration Scheme outlines the arrangements for financial reporting to the IJB:

- Budgetary control and monitoring reports (in such form as the Integration Board may request from time to time) will be provided to the Integration Joint Board by the Parties as and when requested by the IJB. These reports will present the actual and forecast positions of expenditure compared to operational budgets for delegated functions and highlight any financial risks and areas where further action is required to manage budget pressures.
- The Parties will devise a sustainable model to support financial reporting to the new IJB. Until that model is in place, the Parties will provide the required information on operational budgetary performance from their respective finance systems, and this will be co-ordinated and consolidated by the Chief Finance Officer to provide reports to the IJB on all the IJB's integration functions.

- 3.1.2 The Integration Scheme further outlines the process for addressing variances in the spending of the IJB namely:

- Where financial monitoring reports indicate that an overspend is forecast on NHS Lothian or East Lothian Council's operational budget for delegated functions, the relevant Party should take immediate and appropriate remedial action to prevent the overspend.
- In the event that such remedial action will not prevent the overspend, then the Chief Finance Officer will, together with the relevant Party, develop a proposed recovery plan to address the forecast overspend. The Chief Finance Officer will then present the recovery plan to the Integration Joint Board as soon as practically possible. The Integration Joint Board has to be satisfied with the recovery plan, and the plan is subject to its approval.
- Where such recovery plans are projected to be unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the parties may make additional payments to the Integration Joint Board.

3.1.3 In respect of underspends, the Integration Scheme states that in the event of an underspend in one or more operational budgets, if the underspend is fortuitous, and unrelated to any IJB direction, then the underspend should be returned to the affected Party. The IJB will retain all other underspends.

3.2 Financial Regulations

3.2.1 We note that Financial Regulations were adopted by the IJB on 29 October 2015. In respect of budget monitoring, the IJB Financial Regulations state:

- The Chief Finance Officer will provide to the IJB regular budget monitoring reports along with explanations for any significant variances from budget and remedial action planned.
- The Integration Scheme lays out the arrangement for the management of budget variances within the IJB's operational budget – that is the resources that have been allocated to NHS Lothian and East Lothian Council to undertake the functions delegated. The Chief Officer and the Chief Finance Officer will prepare and present to the IJB arrangements for the financial management of these variances. This will be laid out in the financial directives.

3.3 Monitoring Arrangements

3.3.1 We sought to review the budget monitoring arrangements in place for the IJB and we looked in detail at financial years 2017/18 and 2018/19. We note that regular financial update reports have been presented to the IJB by the Chief Finance Officer and our review of reports presented to the IJB in respect of 2017/18 highlighted the following:

- At the March 2017 meeting, the IJB received a report laying out the financial assurance around its proposed 2017/18 budget. The financial assurance considered the budgetary offers made by partners to the IJB and examined an analysis of the financial challenges within these offers. The analysis showed that a total of £3.8 million of financial pressures had been identified with £3.3 million of plans available to support these pressures and a projected gap of £0.5 million for which plans had still to be developed.
- Further updates on the 2017/18 financial position were reported to the IJB in June 2017, August 2017, October 2017 and December 2017. The October 2017 and December 2017 updates reported the actions taken by the Chief Officer and Chief Finance Officer to address the forecast overspend – a key element was the preparation of a recovery plan. We note that details of an outline health recovery plan were included in the October 2017 report and details of the social care recovery plan were included in the December 2017 report.
- The December 2017 report provided details of the “IJB overspend resolution escalation flowchart”, based on the provisions of the Integration Scheme, and provided details of the initial steps to be taken – where there is a forecast overspend, the operational partner takes remedial action (step 1), if the overspend remains then the Chief Finance Officer should develop a recovery plan (step 2) which should be approved by the IJB.
- The financial position update presented to the IJB in March 2018 identified a forecast overspend of approximately £1.0 million. The report further highlighted that the partners had prepared recovery plans (step 1), however step 2, whereby the Chief Finance Officer prepares a recovery plan for approval by the IJB, had not happened.
- The May 2018 report on the financial outturn for 2017/18 indicated that £871,000 of additional support would be required from the partners to allow the IJB to

achieve a break-even position, however the audited annual accounts for 2017/18 highlighted an (improved) initial year end position of £686,000 overspent, which comprised of an underspend of £250,000 within the health part of the budget and an overspend of £936,000 within the social care part of the budget. We note that the IJB directed the underspend in health to be moved to support the initial overspend in social care and thereafter the partners provided £686,000 of additional support to achieve a year end break-even position.

3.3.2 Our review of reports presented to the IJB in respect of 2018/19 highlighted the following:

- The IJB agreed its 2018/19 budget at its meeting in May 2018 and an update report was presented to the IJB in June 2018 which identified financial pressures of £3.0 million for 2018/19.
- Further financial update reports were presented to the IJB in August 2018 and September 2018. The August 2018 report highlighted an overspend in the East Lothian Council Adult Wellbeing budget, while the September 2018 report provided details of the steps to be taken in seeking a resolution of the 2018/19 projected financial pressures, including the development of a tri-partite recovery plan.
- Financial position reports were presented to the IJB in October 2018 and December 2018. Both reports highlighted a projected underspend within the health budget of the IJB and a projected overspend within the social care budget of the IJB, which was not expected to improve. The December 2018 report stated that the current position and financial projections highlight the need to put in place financial recovery actions and that the partnership has developed financial recovery actions to allow an improved social care position to support bringing the overall financial position for the IJB in 2018/19 back into balance.
- The financial position report of February 2019 informed the IJB that the IJB's overall financial position as at the end of December 2018 was £764,000 overspent, although the financial update report to the IJB in March 2019 reported an (improved) forecast outturn of £310,000 overspent (with forecast overspends in Social Care and Set Aside being partially offset by forecast underspends in the Core and Hosted budgets).
- The March 2019 report further highlighted that dialogue was ongoing with NHS Lothian with a view to the IJB retaining the projected underspend within the health delegated budgets to support balancing the overall financial position (i.e. to use the health underspend to partly offset the social care overspend). The report further stated that as the projected overspend in social care is larger than the projected underspend in the health delegated budgets, the IJB will be looking to East Lothian Council for further financial support to balance off any remaining overspend.
- We note however that the draft year end outcome for 2018/19 showed a marked improvement in the social care position – there was an underspend of £310,000 in the social care budget, which combined with an underspend of £776,000 in the health budgets gave an overall IJB underspend of £1,086,000. We further note that both partners (NHS Lothian and East Lothian Council) have confirmed that the IJB can retain these underspends.

3.3.3 From our review of the budget monitoring arrangements in place for 2017/18 and 2018/19, we found that regular reports were being presented to the IJB outlining the current position of the operational budgets for delegated functions and the projected year end outturn. We note that the reports make reference to the recovery actions that are required to achieve a break-even position. We further note that in both 2017/18

and 2018/19 the actual/projected final outturn was significantly better than had been initially predicted earlier in the financial year, however there remains a risk that recovery plans are developed too late in the financial year to have the desired effect of preventing year end overspends. This is also a risk that the IJB relies on the remedial actions being taken by the partners, rather than the IJB itself preparing a recovery plan, which should be formally approved (and then monitored) by the IJB in line with the provisions of the Integration Scheme.

3.4 Financial Recovery Plans

3.4.1 The financial update report presented to the IJB in March 2019, highlighted that the financial outlook for 2019/20 will be challenging with continued financial pressures. The report further stated that in light of the anticipated financial challenges ahead, the Health and Social Care Partnership (HSCP) have requested savings and financial recovery plans from all service managers by the end of March 2019.

3.4.2 We note that for 2019/20, the Chief Finance Officer has introduced monthly Financial Overview meetings at which savings plans will be monitored. A Financial Overview Template has been created, which will be completed for each service area and requires service managers to provide information on:

- Year to date financial position – budgeted expenditure, actual expenditure, variance and forecast outturn.
- Key financial pressures driving the position.
- Key financial risks/emerging pressures.
- Savings/financial recovery actions.

3.4.3 We further note that an IJB development session was held in May 2019 at which savings ideas to support the 2019/20 savings targets included in the social care budget were discussed.

4. CONCLUSIONS

4.1 The financial outlook for the East Lothian IJB remains challenging with anticipated continued financial pressures ahead. Our review has highlighted that the internal controls and procedures established by Management are operating satisfactorily in a number of areas, including the IJB being provided with regular reports on the operational budgets for delegated functions and improved arrangements being put in place for the identification and monitoring of savings targets.

4.2 Areas identified with scope for improvement include the monitoring arrangements in place to ensure that planned efficiencies are being achieved and recovery plans are having their desired effect. We note however, that improved procedures have been introduced by the Chief Finance Officer for 2019/20, including the identification of required savings and financial recovery plans at the start of the financial year and regular Financial Overview meetings being held to monitor the achievement of savings targets and planned efficiencies.

4.3 Internal Audit can provide **reasonable assurance** on the adequacy and effectiveness of the arrangements in place within the IJB for budget monitoring.

4.4 The weaknesses identified during the course of our audit have been brought to the attention of Management. The weaknesses outlined are those, which have come to

our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. Although we include recommendations, it is the responsibility of Management to determine the extent of the budget monitoring arrangements within the IJB.

- 4.5 The content of this report has been discussed with the Chief Finance Officer to confirm factual accuracy. The assistance and cooperation received during the course of our review is gratefully acknowledged.

5. ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Where forecast overspends are identified in the operational budgets for delegated functions, monitoring arrangements should be in place to ensure that planned efficiencies are being achieved and recovery actions are having their desired effect.	Medium	Chief Finance Officer	Agreed		Now in place for 2019/20.
5.2	In the event that the remedial action taken will not prevent an overspend occurring, the Chief Finance Officer, together with the relevant partner, should develop a recovery plan to address the forecast overspend – the recovery plan should be presented to the IJB for approval.	Medium	Chief Finance Officer	Agreed		As and when required.

6. 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.

7. Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.



REPORT TO: East Lothian IJB – Audit and Risk Committee

MEETING DATE: 4 June 2019

BY: Senior Auditor, East Lothian Council

SUBJECT: Internal Audit Report – Business Continuity Planning and Disaster Recovery

5b

1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of the recently issued audit report on Business Continuity Planning and Disaster Recovery.

2 RECOMMENDATION

- 2.1 That the Audit and Risk Committee note the contents of the audit report.

3 BACKGROUND

- 3.1 A review of Business Continuity Planning and Disaster Recovery was recently undertaken as part of the Audit Plan for 2018/19.
- 3.2 The main objective of the audit was to ensure that effective arrangements are in place for Business Continuity Planning and Disaster Recovery within the IJB.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 ENGAGEMENT

- 4.1 The findings from the review have been discussed with Management, but do not require wider engagement.

5 POLICY IMPLICATIONS

- 5.1 None

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	Stuart Allan
DESIGNATION	Senior Auditor
CONTACT INFO	01620 827311
DATE	27 May 2019



INTERNAL AUDIT REPORT
ON
BUSINESS CONTINUITY PLANNING
AND DISASTER RECOVERY

Date: May 2019

Ext: 7311

**EAST LoTHIAN IJB – INTERNAL AUDIT
BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY**

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**EAST LoTHIAN IJB – INTERNAL AUDIT
BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY**

1. INTRODUCTION

- 1.1 As part of the Audit Plan for 2018/19, a review was undertaken of the Business Continuity Planning and Disaster Recovery arrangements operating within the East Lothian IJB.
- 1.2 Our main findings, recommendations and action plan from the review, form the basis of this report.

2. OBJECTIVE

- 2.1 The main objective of the audit was to ensure that effective arrangements are in place for Business Continuity Planning and Disaster Recovery within the IJB.

3. FINDINGS

- 3.1 Business Continuity Planning (BCP) is a process used to plan for emergencies and incidents that affect the normal business of an organisation. BCP is intended to achieve the minimum of disruption to the delivery of business critical systems from the effects of major failures or disasters. A Business Continuity Plan should provide a well-defined set of procedures to be followed to maintain critical activities and to achieve recovery. The failure to develop effective Business Continuity Plans could result in a disjointed approach being adopted should a BCP event occur and to increased exposure to operational, financial or reputational risks.
- 3.2 Disaster Recovery (DR) involves a set of policies, tools and procedures to enable the recovery or continuation of IT infrastructure or systems following a failure or disaster. DR focuses on the IT or technology systems supporting business critical activities, as opposed to BCP which looks at all aspects of keeping a business functioning. DR can be considered as a subset of BCP.
- 3.3 The Civil Contingencies Act 2004 and the Civil Contingencies Act 2004 (Contingency Planning) (Scotland) Regulations 2005 provide the primary legislative framework for resilience and civil contingencies in Scotland. Both NHS Lothian and East Lothian Council are category 1 responders under the Civil Contingencies Act 2004. Category 1 responders have a statutory duty to assess risks, maintain emergency plans relative to the identified risks, maintain Business Continuity Plans and share information and co-operate with partner agencies.
- 3.4 There is no requirement within the Integration Scheme for the IJB to have its own Business Continuity Planning and Disaster Recovery arrangements and it will rely on the BCP and DR processes adopted by the partner organisations to provide assurance over the resilience of the processes, systems, personnel and property which are relied on to deliver the IJB Strategic Plan. In the event of an adverse BCP or DR event arising, responsibility rests with the partner organisations to implement corrective action.
- 3.5 We note however that there are currently no arrangements in place for the IJB to receive assurances from the partners (NHS Lothian and East Lothian Council) on the

adequacy of the BCP and DR arrangements operating within their respective organisations, which may have an impact on the delivery of the IJB's Strategic Plan.

3.6 We further note that the IJB has a Risk Register and a Risk Management Strategy in place. The IJB Risk Management Strategy emphasises that:

- 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 operational risks unless these risks may impact on the business of the IJB.
- 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 (and will be included in the respective partner's risk register), however operational risks identified that are sufficiently significant to impact upon the business of the IJB can be entered on the IJB's risk register.

3.7 We note that operational risks relating to adverse BCP or DR events occurring could be sufficiently significant to impact on the IJB's ability to deliver the Strategic Plan, although no such risks are currently included in the IJB's risk register.

4. CONCLUSIONS

4.1 There is no requirement within the Integration Scheme for the IJB to have its own Business Continuity Planning (BCP) and Disaster Recovery (DR) arrangements and it will rely on the BCP and DR processes adopted by the partner organisations. We note however, that there are currently no arrangements in place for the IJB to receive assurances from the partners (NHS Lothian and East Lothian Council) on the adequacy of the BCP and DR arrangements operating within their respective organisations, which may have an impact on the delivery of the IJB's Strategic Plan.

4.2 The audit has identified two areas with scope for improvement and detailed recommendations are contained in our attached action plan.

4.3 Internal Audit can provide **reasonable assurance** on the adequacy and effectiveness of the arrangements in place within the IJB for Business Continuity Planning and Disaster Recovery.

4.4 The weaknesses identified during the course of our audit have been brought to the attention of Management. The weaknesses outlined are those, which have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. Although we include recommendations, it is the responsibility of Management to determine the extent of the Business Continuity Planning and Disaster Recovery arrangements appropriate to the IJB.

4.5 The content of this report has been discussed with the Chief Officer to confirm factual accuracy. The assistance and cooperation received during the course of our review is gratefully acknowledged.

5. ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Appropriate arrangements should be put in place to ensure that the IJB receives assurances from both partners (NHS Lothian and East Lothian Council) on the adequacy of the Business Continuity Planning and Disaster Recovery arrangements operating within their respective organisations, which may impact on the business of the IJB.	Medium	Chief Officer	Report to IJB August 2019.		August 2019
5.2	Management should ensure that significant Business Continuity risks of partner organisations, which may impact on the IJB's ability to deliver the Strategic Plan, are identified and included in the IJB risk register.	Medium	Chief Officer	Add to risk register with hyperlinks to East Lothian Council and NHS Lothian BCPs.		August 2019

6. 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.

7. Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.



REPORT TO: East Lothian IJB – Audit and Risk Committee
MEETING DATE: 4 June 2019
BY: Senior Auditor, East Lothian Council
SUBJECT: Annual Internal Audit Opinion and Report 2018/19

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1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit prepares an annual internal audit opinion and report that can be used by the Integration Joint Board (IJB) to inform its governance statement.
- 1.2 The purpose of this report is to inform the Audit and Risk Committee of the internal audit work undertaken in 2018/19 and to provide an opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control.

2 RECOMMENDATION

- 2.1 The Audit and Risk Committee is asked to note that the Annual Internal Audit Opinion and Report 2018/19 is a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year ended 31 March 2019.

3 BACKGROUND

Sound Internal Controls

- 3.1 The IJB's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of internal control systems are:
 - Achievement of the IJB's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.

- 3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen circumstances. The IJB is continually seeking to improve the effectiveness of its system of internal control.

Quality Assurance and Improvement Programme (QAIP)

- 3.3 The Public Sector Internal Audit Standards (PSIAS) require that the annual report must incorporate a statement on Internal Audit's conformance with the PSIAS and Local Government Application Note and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity. Internal Audit is continuously seeking to improve its service and aims to provide a service that remains responsive to the needs of the IJB and maintains consistently high standards. This was achieved in 2018/19 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- A programme of quality control measures which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff undertake a programme of Continuous Professional Development (CPD).

- 3.4 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. An internal assessment of internal audit practices was carried out against the PSIAS to ensure conformance to the Standards and an External Quality Assessment of the Council's Internal Audit service was undertaken by the Chief Internal Auditor of Argyll and Bute Council in May 2018.

Delivery of the Internal Audit Service

- 3.5 Internal Audit is an independent appraisal function established by the IJB to objectively examine, evaluate and report on the adequacy of governance, risk management and control systems. The provision of the Internal Audit service to the IJB is on an in-house basis by East Lothian Council's Internal Audit Unit. In addition to the work undertaken by the in-house team, work is also undertaken by the NHS Lothian Internal Audit team.
- 3.6 Internal Audit reports functionally to the Audit and Risk Committee and has direct access to Senior Management, the Chair of the Audit and Risk Committee and the Chair of the IJB.

- 3.7 In March 2018, the Audit and Risk Committee approved the Internal Audit Plan for 2018/19. Our audit plan was scoped to address the key risks and objectives of the IJB. In 2018/19, Internal Audit reports were issued on Business Continuity Planning and Disaster Recovery, Participation and Engagement, Workforce Planning and Budget Monitoring.
- 3.8 Internal Audit findings identifying system weaknesses or non-compliance with expected controls were brought to the attention of the IJB's Chief Officer, Chief Finance Officer, External Auditor and the Audit and Risk Committee. The weaknesses outlined are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations.

Conflicts of Interest

- 3.9 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Assessment of Controls and Governance

- 3.10 Our evaluation of the IJB's control environment is informed by a number of sources including statutory and other compliance:
- Integration Scheme – an East Lothian Integration Scheme is in place and sets out how the IJB will operate, including the scope of the services to be included within the IJB and the financial arrangements. The East Lothian Integration Scheme was revised in March 2019, as a consequence of the effect of the Carers (Scotland) Act 2016.
 - Membership – membership of the IJB is in accordance with the Integration Scheme.
 - The IJB has in place approved Standing Orders and Financial Regulations.
 - Committees – the IJB has established an Audit and Risk Committee, which meets four times per year. The terms of reference of the Audit and Risk Committee cover the IJB's governance, risk and control; internal audit; external audit; financial reporting and accountability arrangements.
 - Strategic Plan – the IJB formally adopted a Strategic Plan 2016-2019 in February 2016 and a new Strategic Plan 2019-2022 was agreed by the IJB in March 2019.
 - Officers – appropriate officers (Chief Officer and Chief Finance Officer) with responsibility for maintaining and operating an effective system of internal control were in place during 2018/19. For both positions, new appointments were made during 2018/19 to replace the previous post holders – the current Chief Officer was appointed in July 2018 and the Chief Finance Officer was appointed in October 2018.
 - Code of Conduct for Members of the IJB.
 - The work undertaken by Internal Audit during 2018/19.

- 3.11 Operational matters covered by IJB directions and which are undertaken on behalf of the IJB by either East Lothian Council or NHS Lothian are outwith the scope of the annual audit plan and this audit opinion.
- 3.12 During 2018/19, areas identified with scope for improvement included the following:
- The budget monitoring arrangements in place, to ensure planned efficiencies are being achieved and recovery plans are having their desired effect.
 - Ongoing work in developing the Risk Register, to ensure compliance with the Risk Management Strategy and Policy.
 - The arrangements in place for monitoring, reviewing and reporting on the effectiveness and impact of the engagement activities being undertaken by the IJB.
 - Ongoing work on the Workforce Plan, to ensure compliance with the Integration Scheme and with Scottish Government guidance.
- 3.13 The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended.

Opinion

- 3.14 It is our opinion, subject to the weaknesses outlined in section 3.12 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year to 31 March 2019.

4 ENGAGEMENT

- 4.1 None

5 POLICY IMPLICATIONS

- 5.1 None

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	Stuart Allan
DESIGNATION	Senior Auditor
CONTACT INFO	01620 827311
DATE	27 May 2019



REPORT TO: East Lothian IJB – Audit and Risk Committee
MEETING DATE: 4 June 2019
BY: Senior Auditor, East Lothian Council
SUBJECT: Internal Audit Plan 2019/20

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1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of Internal Audit's operational plan for 2019/20.

2 RECOMMENDATION

- 2.1 The Audit and Risk Committee is asked to approve the Audit Plan for 2019/20.

3 BACKGROUND

- 3.1 The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS).
- 3.2 In preparing the annual audit plan a range of factors have been taken into account, including:
- The Public Bodies (Joint Working) (Scotland) Act 2014, which sets out the framework for integrated adult health and social care services
 - The Integration Scheme
 - The IJB Strategic Plan 2019-2022
 - The IJB risk register in place
 - Changes in service delivery
- 3.3 Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the IJB's governance, operations and information systems, regarding the:
- Achievement of the IJB's strategic objectives.

- Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.4 The provision of the Internal Audit service is on an in-house basis by East Lothian Council's Internal Audit Unit. In addition to the work undertaken by the in-house team, work is also undertaken by the NHS Lothian Internal Audit team – the 2019/20 Audit Plan includes one audit to be undertaken by the NHS Lothian Internal Audit team.
- 3.5 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis.
- 3.6 For each individual audit, a detailed audit report will be prepared for the IJB Chief Officer and copies of the audit report will be provided to External Audit and to members of the IJB Audit and Risk Committee.
- 3.7 Audit reports will highlight areas where expected controls have been met and areas where there is scope for improvement. A detailed action plan will be attached to each report listing all recommendations made and recording management responses to the recommendations.
- 3.8 Follow-up audits will be carried out to review the implementation of the recommendations made.
- 3.9 An Annual Internal Audit Opinion and Report will be prepared at the end of the financial year, outlining:
- A statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that support the statement.
 - An opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control together with a summary of the work supporting the opinion.
- 3.10 The detailed Audit Plan for 2019/20 is attached.

4 ENGAGEMENT

- 4.1 The Audit Plan has been discussed with Management, but does not require wider engagement.

5 POLICY IMPLICATIONS

5.1 None

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	Stuart Allan
DESIGNATION	Senior Auditor
CONTACT INFO	01620 827311
DATE	27 May 2019

AUDIT PLAN 2019/20

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Directions Setting Framework	The NHS Lothian Internal Audit team will assess the design adequacy and control effectiveness of the framework applied to identify, create, approve and communicate new and changes to existing directions.	Medium	–
Change Management	Internal Audit will review the IJB's corporate governance arrangements in place to support service change and the delivery of national and local priorities. The review will focus on the priority areas identified in the East Lothian IJB Strategic Plan 2019-2022.	High	6
Financial Planning	Internal Audit will review the financial planning arrangements within the IJB, in particular the development of the three-year financial plan.	High	6
Performance Management	Internal Audit will review the adequacy and effectiveness of the IJB's performance management framework in place.	Medium	5
Follow-up Audits	Internal Audit will follow-up on previously issued audit reports to ensure that recommendations made have been implemented by Management.	Low	2
Other Audit Work	Time has been allocated for other audit work including the preparation of the audit plan, self-assessment against the Public Sector Internal Audit Standards (PSIAS) and the preparation of the annual internal audit opinion and report.	Low	1