



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

**TUESDAY 10 SEPTEMBER 2019
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Members Present:

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

Officers Present:

Ms C Flanagan
Ms A MacDonald
Mr P Moore

Others Present:

Ms E Scoburgh, Audit Scotland
Mr D Binnie

Clerk:

Ms F Currie

Apologies:

Ms F Ireland

Declarations of Interest:

None

1. MINUTES OF THE IJB AUDIT AND RISK COMMITTEE MEETING OF 4 JUNE 2019

The minutes of the East Lothian IJB Audit and Risk Committee meeting held on 4 June 2019 were approved.

2. MATTERS ARISING FROM THE MINUTES OF 4 JUNE

The following matters arising were discussed:

(Item 3) – The Chair referred to paragraph 3 and asked if the term ‘regularly’, in relation to reminders, should be more accurately defined. Alison MacDonald explained that this was defined within the risk registers and the timing depended on the risk rating. Each risk had a specific review date and reminders to officers were generated on that basis.

Councillor Fiona O’Donnell asked about Brexit preparations, and whether there was any way of identifying and prompting staff who were EU citizens but who had yet apply for settled status. Ms MacDonald advised that a lot of work had been done by both the partners to identify and provide information to EU staff, however, she agreed that issuing a further reminder would be useful.

The Chair welcomed this suggestion and observed that it was very difficult for organisations to prepare adequately for Brexit when many of the implications were still unclear.

3. INDEPENDENT AUDITOR’S REVIEW OF THE ANNUAL ACCOUNTS:

a. AUDIT SCOTLAND ISA 260 LETTER TO THOSE CHARGED WITH GOVERNANCE OF THE EAST LOTHIAN IJB

Esther 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.

Councillor O’Donnell asked about budgetary processes. Ms Scoburgh suggested that as this related to the contents of the annual audit report, she should address this point as part of the next item of business.

b. EAST LOTHIAN IJB 2018/19 ANNUAL AUDIT REPORT

The East Lothian Integration Joint Board annual audit report for 2018/19 was submitted by Audit Scotland.

Ms Scoburgh summarised the findings of the report including the key messages on financial management and sustainability. It was the auditors’ view that there was appropriate financial management in place and regular updates were provided to the Committee and the IJB and these contained a good level of information. The audit had also looked at occasions when additional funding had been made available to the IJB later in the financial year and it had not been possible for the money to be used immediately. Ms Scoburgh highlighted the fact that the IJB had been forecasting an overspend for most of 2018/19 but had in fact ended the year in an underspent

position. This related to Councillor O'Donnell's point about budgetary processes and the accuracy of forecasting more generally.

Claire Flanagan acknowledged that 2018/19 had been difficult, however, she and Ms MacDonald would be working much more closely with colleagues in the Council to improve the flow of information.

Referring to a comment in the report, Councillor O'Donnell asked about the disparity between the budget-setting arrangements for NHS Lothian, the Council and the IJB; health worked on a one year budget, the Council agreed a three year budget and the IJB had a five year rolling budget.

Ms Flanagan advised that the IJB did all it could to mitigate the challenges of dealing with its partners and their differing budgetary processes. Officers would continue to work towards ensuring that the IJB had a balanced financial plan.

The Chair commented that with so many variables this would be extremely difficult to achieve and having a reserves buffer going into the current financial year was a very good thing.

Ms Scoburgh acknowledged the benefits of having a buffer and that achieving a 'breakeven' position was aspirational. She welcomed the five year rolling financial plan, pointing out that some IJBs only had a one year plan, and she noted that it would continue to evolve as more saving plans were developed. Overall, there had been a huge improvement on last year which was reflected in the recommendations in the action plan.

Returning to the report, she advised that the IJB demonstrated a very good level of governance, scrutiny and transparency. She noted that the annual performance report for 2018/19 was still in draft and had missed the deadline for publication, however, she acknowledged that information coming from the Scottish Government was not always timely. In relation to value for money she encouraged the IJB to think about ways of demonstrating best value in its performance reporting and showing the impact of changes to service delivery.

The Chair acknowledged this issue but said it was often difficult to put a figure on health outcomes. Councillor O'Donnell suggested creating a focus group for health and social care. She said that with so many services relying on partners, gathering feedback and finding ways to meaningfully measure impact was a challenge.

Ms MacDonald gave examples of some tools which were already in use, including those around measuring the impact of reducing occupied bed days and feedback on outpatient services.

The Chair noted that there was already information available and that the issue appeared to be more about formatting this to demonstrate best value.

Ms Scoburgh concluded her presentation of the annual audit report by summarising the content of the action plan and the significant risks identified during the audit planning process.

The Chair welcomed the report and recommendations and praised officers for the progress made since last year's audit.

Decision

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

4. 2018/19 AUDITED ANNUAL ACCOUNTS

A report was submitted by the Chief Finance Officer presenting the IJB's audited annual accounts for 2018/19.

Ms Flanagan presented the report reminding members that the draft unaudited accounts had been reviewed by the Committee in June. She summarised key aspects of the accounts and the minor changes made following the last meeting. She referred members to the annual governance statement provided by Internal Audit which offered 'reasonable assurance' and to the external auditor's intention to issue an unqualified audit opinion.

Ms Flanagan invited the Committee to recommend the audited accounts to the IJB.

Ms Flanagan responded to questions from the Chair advising on amendments to the management commentary, clarification of health service terminology and the impact of increasing population numbers and the need for detailed modelling to enhance longer term financial planning.

David Binnie queried the final section of the management commentary which was headed 'Key Risks and Uncertainties'. He thought this was confusing as it did not directly correlate with the contents of the IJB's risk register and he suggested substituting 'Challenges' for 'Risks'.

Ms Flanagan and Ms Scoburgh agreed that this could be looked at for next year's accounts but were of the view that there were some crossovers and that the section was reflective of the current position.

Councillor O'Donnell suggested that in future years other areas and cost implications, such as housing for vulnerable adults and those with complex needs, might also be reflected within this section.

Referring to the comprehensive income and expenditure statement, the Chair observed that comparing individual budgets in 2017/18 and 2018/19 areas such as Prescribing and Older People showed positive progress.

Decision

The Committee agreed to:

- (i) Note the independent auditor's review of the IJB's Annual Accounts; and
- (ii) recommend the annual accounts to the IJB.

5. RISK REGISTER

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

Ms Flanagan presented the report advising members that the risk register continued to be refreshed and updated. She highlighted two changes which had taken place since the last Committee meeting. Firstly, the financial resources risk (3924) had reduced in rating from 16 to 12 and from 'major' to 'moderate' as a result of the IJB having established reserves. Medium-term financial planning had also been added as part of the control measures. Secondly, the impact of partner's decisions risk (4018) would shortly be updated to reflect the IJB's Directions for 2019/20. The Directions were

currently being developed and would be approved by the IJB at their meeting in October.

The Chair asked if updating the Directions would have an impact on the risk rating. Ms Flanagan said that it was unlikely to do so this year but it was hoped that it would result in an improvement in future years.

Ms MacDonald reminded members that there were extensive operational risk registers in place for the Health & Social Care Partnership and the IJB's partners and that these included risks related to the impact of Brexit. She added that these risks may need to be escalated depending on developments over the coming weeks and months.

Mr Binnie praised the risk register as being very clear and concise but said he was surprised not to see a general reputational risk. He noted that some aspects of this were already present in other risks, such as 3924, but the descriptions were unclear. He felt that it was important to consider the risk of members acting in a way which may impact unfavourably on the reputation of the IJB, and how such a situation might be managed.

Councillor O'Donnell asked if background checks were carried out on IJB members or whether they were required to complete a self-declaration. Ms MacDonald advised that a number of the IJB's members came from organisations who carried out their own checks. The Clerk added that IJB members were required to complete a disqualification questionnaire.

In relation to the broader issue of reputational damage Ms MacDonald indicated that this was covered in the operational risk registers.

Decision

The Committee agreed:

- (i) to note the current risk register; and
- (ii) that no further risks should be added to the register.

6. FURTHER MEETING DATES FOR 2019/20

The Committee agreed the following meeting dates for the 2019/20 session, all meetings to take place in the Council Chamber, Town House, Haddington:

- Wednesday 11 December 2019, 2.00pm
- Tuesday 10 March 2020, 2.00pm
- Tuesday 16 June 2020, 3.00pm

POST-MEETING NOTE

Due to the General Election, the date of the next meeting was subsequently changed from 11 December 2019 to 22 January 2020

Signed

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



REPORT TO: East Lothian IJB Audit and Risk Committee
MEETING DATE: 22 January 2020
BY: Chief Finance Officer
SUBJECT: Risk Register

3

1 PURPOSE

This paper lays out the IJB's risk register.

2 RECOMMENDATIONS

2.1 The Committee is asked to:

- i. To note the current risk register; and
- ii. 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 The 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	14 January 2020

ID	Risk level	Title	Description	Controls in place	Risk level (current)	Risk level (Target)	Adequacy of controls	Risk Owner	Handler	Date Opened	Date Risk Reviewed	Action Plan in Place	Action No	Lead	Description	Progress	Start date	Due date	Done date
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 IJB, Council and Health Board leading to an IJB financial planning process being approved by the IJB and supported by Council and Health Board 9. The IJB take a lead role in policy decisions to support the Financial Plan. 10. Development of a longer term rolling financial plan for the IJB. 11. Regular financial reporting. 	High 12	Medium 9	Adequate but partially effective; control is properly designed but not being implemented properly	Macdonald, Alison X	Flanagan, Claire	42426	43837	Yes	7346	Claire Flanagan	Financial Reporting	Ongoing throughout current financial year. 7/1/20: Regular financial reporting takes place. Agreement to close risk and add to controls.	01/04/2017	31/03/2020	07/01/2020
													7347	Claire Flanagan	IJB and Policy Decisions	This action has now become a control	01/04/2017		16/05/2019
													8949	Claire Flanagan	Development of a longer term rolling financial plan for the IJB	This went to IJB in June 2019 and was accepted.	16/05/2019	31/01/2020	15/08/2019
													10548	Claire Flanagan	Annual National and Scottish Budget Allocation	7/1/20: Annual budget settlement is currently unclear. Awaiting further information.	07/01/2020	31/03/2020	
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. 	High 12	Medium 9	Adequate but partially effective; control is properly designed but not being implemented properly	Macdonald, Alison X	Macdonald, Alison X	17/06/2016	07/01/2020	Yes	6956	Alison Macdonald	Clarity and monitoring of directions	Action extended to cover the period April 2017to March 2018. 16/05/19 directions for 2019-2020 currently in review. 23/12/19: Directions agreed at IJB on 31/10/19 - ongoing action. 7/1/20: Directions being finalised for publication.	03/04/2017	31/03/2020	

ID	Risk level	Title	Description	Controls in place	Risk level (current)	Risk level (Target)	Adequacy of controls	Risk Owner	Handler	Date Opened	Date Risk Reviewed	Action Plan in Place	Action No	Lead	Description	Progress	Start date	Due date	Done date
4947	Integrated Joint Board	NHSL Recovery Plan	There is a risk that the EL IJB will not provide satisfactory services due to acute waiting times, delayed discharges and mental health. There is a risk that we will fail to meet the 4 hour performance target for unscheduled care which could mean that patients fail to receive appropriate care due to volume and complexity of patients, staffing, lack and availability of beds, lack of flow leading to a delay to first assessment, a delay in diagnosis and therefore in treatment for patients and a reputational risk for the organisation. Scottish Government has escalated these risks to Level 3 & 4.	<ol style="list-style-type: none"> 1. Extra capacity available in ELCH. 2. Winter Plan 3. Chief Officer on Recovery Board for Unscheduled Care and MH/LD. 4. NHSL Project Management support has been recruited. 5. Proactive teams are managing the situation on a daily basis. 6. Contribute to tele-conferencing. 	High 16	High 12		Macdonald, Alison X	Macdonald, Alison X	19/12/2019	07/01/2020		10551	Alison Macdonald	Involvement in a Collaborative Approach with all 4 IJB's		07/01/2020	31/12/2020	
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 ensuring adequate resources are in place for non-delegated but related functions (e.g. housing), to deliver the Strategic Plan 6. Quarterly Performance Report to IJB and scrutiny by the Audit and Risk Committee. 7. Care at Home contracts in place. 8. Use of Integrated Care Fund to increase capacity and improve terms and conditions. 9. Use Primary Care Transformation Fund to improve access in west of county. 10. Joint Workforce Plan approved at IJB on 23/5/19. 	Medium 6	Medium 6	Adequate but partially effective; control is properly designed but not being implemented properly	Macdonald, Alison X	Macdonald, Alison X	26/02/2016	07/01/2020	Yes	7348	Alison Macdonald	Care at Home contracts	Contracts in place	01/04/2017	30/09/2017	16/05/2019

ID	Risk level	Title	Description	Controls in place	Risk level (current)	Risk level (Target)	Adequacy of controls	Risk Owner	Handler	Date Opened	Date Risk Reviewed	Action Plan in Place	Action No	Lead	Description	Progress	Start date	Due date	Done date
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	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	Medium 4	Medium 4	Adequate but partially effective; control is properly designed but not being implemented properly	Macdonald, Alison X	Macdonald, Alison X	26/02/2016	07/01/2020	Yes	7349	Alison Macdonald	IJB Induction Review and IJB Members Annual Discussion	7/1/20: AM will speak to Cllr Fiona O'Donnell and find out if regular meetings are taking place with IJB members.	31/05/2017	31/03/2020	

East Lothian Integration Joint Board

Annual Audit Plan 2019/20

4



 AUDIT SCOTLAND

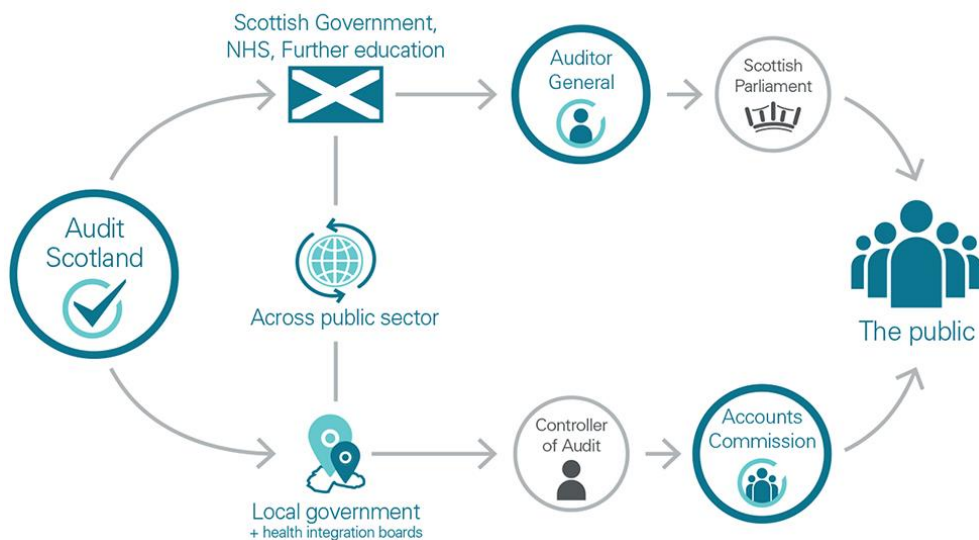
Prepared for the East Lothian Integration Joint Board

January 2020

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.

Contents

Risks and planned work	4
Audit scope and timing	7

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts 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 EL 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 so doing, we intend to help the EL 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 significant risks for the EL IJB. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Sources of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Testing of key controls in East Lothian Council.</p> <p>Assurances to be obtained from the auditors of NHS Lothian.</p>
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>The expenditure of the IJB is processed through the financial systems of East Lothian Council and</p>	<p>Assurances to be provided to the IJB by East Lothian Council and NHS Lothian on the completeness and</p>	<p>Assurances will be obtained from the auditors of East Lothian Council and NHS Lothian over the completeness, accuracy, and allocation of the</p>

 Audit Risk	Sources of assurance	Planned audit work
<p>NHS Lothian.</p> <p>There is a risk that non-IJB related expenditure is incorrectly coded to the IJB account codes.</p>	<p>accuracy of transactions coded to the IJB codes.</p>	<p>income and expenditure.</p>
Wider dimension risks (only where significant risk identified)		
<p>3 Financial sustainability</p> <p>The IJB's five year financial plan identifies the funding gaps the IJB faces each year. These are £1.5 million in 19/20 rising to £17.7 million by 2023/24. Work is required to ensure financial pressures can be addressed. There is a risk the IJB may not be able to deliver the targeted savings/plans in 2019/20 and beyond and that the IJB is not living within its means.</p>	<p>Routine budget monitoring, updating and reporting of the medium to long term plans.</p> <p>Utilisation of the Scottish Government's Medium Term Financial Framework for Health and Social Care.</p>	<p>Attendance at the Board/Committee meetings.</p> <p>Review of papers/plans submitted to assess progress.</p>
<p>4 Value for money – reporting best value</p> <p>The IJB publishes an annual Performance Report as prescribed by the Public Bodies (Joint Working) (Scotland) Act 2014. IJBs also have a duty to make arrangements to secure best value. The EL IJB has not yet reported on its arrangements to secure best value.</p> <p>The Performance Report for 2019/20 should set out how the EL IJB demonstrates that it is meeting its best value duties to ensure compliance with the guidance and to demonstrate the delivery of best value to the residents of East Lothian.</p>	<p>The IJB is committed to delivering best value through its strategic plan. Best value reporting through the IJB's strategic planning group and its annual performance report.</p>	<p>Review and report on the IJB's best value arrangements and reporting of these.</p>

Source: Audit Scotland

5. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted the risks of material misstatement caused by fraud in income recognition in 2019/20 because the EL IJB's income consists of funding from its partner bodies (East Lothian Council and NHS Lothian). We place reliance on the assurances received from the external auditors of East Lothian Council and NHS Lothian (the partner bodies) in this regard.

Reporting arrangements

6. 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.

7. 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.

8. We will provide an independent auditor's report to the EL IJB and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the Chief Officer, Chief Financial Officer (the 'proper' officer), members of the EL 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 2019/20 audit.

Exhibit 2

2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	22 January 2020	22 January 2020
Independent Auditor's Report	By September 2020	TBC
Annual Audit Report including ISA 260 requirements	By September 2020	TBC

Source: Audit Scotland

Audit fee

9. The proposed audit fee for the 2019/20 audit of the EL IJB is £26,560 (2018/19: £25,000). 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 annual accounts by 30 June.

10. A supplementary audit fee may be applied where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or, from carrying out any work or other significant exercises out with our planned audit activity

Responsibilities

Audit and Risk Committee and Chief Financial Officer

11. 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.

12. The audit of the annual accounts does not relieve management or the Audit and Risk Committee as those charged with governance, of their responsibilities.

Appointed auditor

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

14. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. 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

Annual accounts

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

- understanding the business of the EL 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 East Lothian Integration Joint Board 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.

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

- give a true and fair view of the financial position of the EL IJB and its income and expenditure as at 31 March 2020;
- have been properly 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Statutory other information in the annual accounts

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

18. We also review the content of the annual report for consistency with the financial statements and with our knowledge of the IJB. We report any uncorrected material misstatements in statutory other information.

Materiality

19. 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.

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

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of net expenditure for the year ended 31 March 2019, based on the audited accounts for 2018/19.	£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.	£16,000

Source: 2018/19 (audited) East Lothian Integration Joint Board Annual Accounts

Timetable

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

Exhibit 4 Annual accounts timetable

Key stage	Date
Consideration of unaudited annual report and accounts by those charged with governance	By 30 June 2020
Latest submission of unaudited annual report and accounts with working papers	By 30 June 2020
Latest date for final clearance meeting with Chief Financial Officer	TBC
Issue of Letter of Representation (ISA 580) and proposed Independent Auditor's Report	By 30 September 2020
Agreement of audited unsigned annual report and accounts	By 30 September 2020
Independent Auditor's Report signed	By 30 September 2020
Issue of Annual Audit Report including ISA 260 to those charged with governance	By 30 September 2020

Internal audit

22. Internal audit is provided by East Lothian Council and is overseen by their Internal Audit Manager who is also the Chief Internal Auditor for the EL IJB. Internal audit work is also carried out by the NHS Lothian Internal Audit team. As part of our planning process we carry out an annual assessment of the East Lothian Council internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA 610

requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

23. We will report any significant findings to management on a timely basis.

Using the work of internal audit

24. 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 and 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 and effectively.

25. We take audit assurance from the external auditors of East Lothian Council over the ledger information used to prepare the EL IJB's annual 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.

Audit dimensions

26. 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

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

Financial sustainability

28. 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 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

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

Governance and transparency

30. 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 EL 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

31. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the EL IJB can demonstrate:

- value for money in its use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving.

Best value

32. Integration Joint Boards have a statutory duty to make arrangements to secure best value. As part of our 2019/20 audit we will review and report on how the IJB demonstrates that it is meeting its best value and the IJB's arrangements for doing this.

Independence and objectivity

33. 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.

34. The engagement lead (i.e. appointed auditor) for the EL IJB 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 EL IJB.

Quality control

35. 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.

36. 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 on our work.

37. 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 2019/20

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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REPORT TO: East Lothian IJB Audit and Risk Committee

MEETING DATE: 22 January 2020

BY: Chief Finance Officer

SUBJECT: Integration Authorities Financial Performance for 2019-20 after Quarter 1

5

1 PURPOSE

- 1.1 This report summarises the quarterly report from the CIPFA IJB CFO Section on the Financial Performance for all the Integration Authorities (IA's) for financial year 2019-20 after Quarter 1. Key messages are summarised below, including East Lothian's (EL) position as a comparison.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the key messages contained within the report.

3 BACKGROUND

- 3.1 This is the first summary report which presents an overview of financial performance for all 31 IA's for 2019-20. The report includes forecasted year-end positions for 26 IA's and year to date positions at Quarter 1 for 5 IA's, showing the key factors contributing to these positions.

Key Messages

- 3.2 The total budget for health and social care services in 2019-20 is currently forecast at £9,237m (EL £163.7m).
- 3.3 Total Reserves at 1 April 2019 was £158m, (earmarked £81m, contingency £32m) this has decreased by £45m to £113m as reserves are released. Of the 31 IA's 9 do not have a reserve, 1 has a negative reserve and 4 do not have a Contingency reserve.
- 3.4 EL reserve at 1 April 2019 was £1.722m (earmarked £0.695m, contingency £1.077m). EL has released the earmarked reserves into funding available for 2019-20.

- 3.5 Of the 26 IA's (representing £6,318m of budget), a year end overspend of £84m is projected (EL £459k overspend projected at Quarter 1). The remaining 5 IA's (representing £2,919m) reported a year to date overspend of £2.4m.
- 3.6 These are the positions before any additional financial support from partners, the impact of financial recovery plans or further use of reserves is taken into consideration.
- 3.7 The projected £86.5m overspend will be addressed by anticipated additional funding from NHS Boards (£26.7m), Local Authorities (£6.4m), Financial Recovery Plans (£16.4m), Other (£7m). Leaving £30m to be determined.
- 3.8 Factors contributing to these forecasted positions are largely driven by increased demand and higher costs:
- Increased demand across all services and increasing complexity of needs across older people, adults and children's services.
 - Cost increases in staffing and use of locums, increased cost pressures in prescribing.
 - Difficult in delivering savings from reducing services when demand is increasing, new models of service taking longer than originally anticipated to implement
- 3.9 Variance analysis is summarised below:

Variance Analysis after Q1	26 IAs reporting Forecast	5 IAs reporting Year to date	East Lothian Forecast
	£m	£m	£m
Non Delivery of Savings	40.0	2.9	-
Demographics	15.0	1.8	0.354
Staffing Pressures	9.0	0.9	-
Prescribing	7.0	0.7	(0.05)
Price Increases	2.0	-	-
Other Net Pressures / (Underspends)	11.1	(3.9)	0.152
	84.1	2.4	0.459

4 ENGAGEMENT

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

5 POLICY IMPLICATIONS

- 5.1 There are no 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

Appendix - Integration Authorities Financial Performance FY 2019-20 Q1 Report

AUTHOR'S NAME	Claire Flanagan
DESIGNATION	Chief Finance Officer
CONTACT INFO	claire.flanagan@nhslothian.scot.nhs.uk
DATE	13 January 2020

Integration Authorities

Financial Performance

Financial Year 2019/20 (Quarter 1)



OVERVIEW - BUDGET POSITION 2019/20

This is the first summary report which presents the overview of financial performance for all Integration Authorities (IA's) for quarter 1 of the financial year 2019/20. The position in respect of the NHS Highland Lead Agency arrangement is also included. The total budget for health and social care services in 2019/20 is currently forecast at £9,237m (Set Aside £812m; Non-Set Aside £8,396m; Reserves £29m). 26 IAs are reporting a set aside budget for 2019/20. This is expected to increase to 27 once Perth & Kinross is included.



FINANCIAL VARIANCES 2019/20 – YEAR-END OUTTURN AND YEAR TO DATE

IAs have different reporting approaches. At this stage of the financial year, 26 IAs report projected outturns for the year-end and 5 IAs report year to date (first quarter) positions.

Of the 26 IAs, representing £6,318m of the total budget, a year end overspend of £84.1m is projected. Projected outturns across these IAs vary as follows:

- 22 IAs are projecting overspends totalling £87m
- 1 IAs is projecting a break-even position
- 3 IAs are projecting underspends totalling £3m

This is the position before additional financial support from partners, the impact of financial recovery plans and the further use of reserves is taken into consideration.

Year-end Projected Outturn

- £40m non delivery of savings
- £15m demographics
- £9m staffing pressures
- £7m prescribing
- £2m price increases
- £11.1m other net cost pressures

Projected cost pressures - £84.1m

Year to Date Position

- £2.9m non delivery of savings
- £1.8m demographics
- £0.9m staffing pressures
- £0.7m prescribing
- £3.9m net underspends

Year to date cost pressures - £2.4m

Of the 5 IAs, representing £2,919m of the total budget, a year to date overspend of £2.4m is reported at the end of quarter 1.

The year to date positions across these IAs vary as follows:

- 3 IAs are projecting overspends totalling £3.6m
- 2 IAs are projecting underspends totalling £1.2m



SIGNIFICANT FACTORS 2019/20

The factors contributing to the variances reported by IAs are detailed on the schedule which accompanies this covering report.

The key highlights are summarised as follows:

- the challenge to deliver savings, in particular planned reductions in services not materialising due to increased demand being experienced
- increased activity of acute services
- additional demand for services and the increasing complexity of health and social care needs across older people, adult and children's services
- the timeline to implement new models of service delivery taking longer than originally anticipated
- ongoing challenges associated with identifying further cost reduction and savings opportunities
- prescribing cost pressures; and
- staffing costs including the cost of locums.

As part of their financial strategies, 14 IAs are relying on the planned use of reserves totalling £29m at this stage of the financial year. The increase in costs is partly offset by underspends as a result of staff vacancies and slippage in the implementation of new funding, both of these provide non-recurring financial relief.

Work continues to be progressed to develop the set-aside monitoring arrangements.



IMPACT ON FUNDING 2019/20

It is currently estimated that the projected overspend totalling £86.5m will be addressed as follows:-

▪ Anticipated additional funding from NHS Boards	£26.7m
▪ Anticipated additional funding from Local Authorities	£6.4m
▪ Agreed financial recovery plan with no impact for partners	£16.4m
▪ Other	£7.0m

The funding impact of £30m remains 'not yet determined' or has still to be publicly reported in respect of 13 IAs.

A total of 4 IAs are in repayment arrangements with partners (£12.1m).

Repayment of Funding Advances

- £2.5m in 19/20
- £9.6m due 20/21 or later



UPDATE ON RESERVES

The net movement on IA's reserves is a decrease of £45m from 1st April 2019 of £158m to £113m (Earmarked £81m; Contingency £32m. The contingency reserve represents 0.4% of the total financial envelope of £9,237m. 9 IAs do not have a reserve. 4 do not have a contingency reserve. 1 IA has a negative reserve. For 17 IAs, the contingency reserves range from 0.03% to 1.2% of their available funding.



FUTURE REPORTS

IA's will continue to standardise presentation.



REPORT TO: East Lothian IJB Audit and Risk Committee
MEETING DATE: 22 January 2020
BY: Chief Finance Officer
SUBJECT: Scottish Government: When is Hospital bad for your Health?

6

1 PURPOSE

- 1.1 This report brings to the attention of the Committee the recent Scottish Government Health and Sport Committee publication of its findings on budget, outcomes and progress within the integration of health and social care.

2 RECOMMENDATIONS

- 2.1 Committee members are asked to:
- i. Note the publication; and
 - ii. Note the key messages as a result of this report.

3 BACKGROUND

- 3.1 The Scottish Government Health and Sport Committee published a report on 3 October 2019 - "Looking ahead to the Scottish Government Health Budget 2020-21: When is hospital bad your health? "The full publication of the report can be found using this [LINK](#) .

Key Messages

- 3.2 Prolonged Hospital stays can have a detrimental effect on the health and wellbeing of the patient, particular the elderly. It is for many not a cost effective or healthy setting. An increased focus on the "front door" of hospitals is needed, reducing unscheduled care and addressing patient needs in other areas of the NHS.
- 3.3 Steps have been taken to streamline the patient journey from hospital to the community. The cost of intermediate care, home care or care homes all cost significantly less than being in hospital and further improvements would benefit the patient and the ability to deliver budget savings.
- 3.4 The level of engagement required from members of the public must become a key focus to truly transform services. Communication

strategies should be reviewed to ensure both GP's and patients have confidence and awareness of all the options for advice and care.

3.5 Leadership and financial management of the IJB budget is paramount. Recommended that a set of leadership indicators are identified requiring boards to demonstrate their achievements and progress.

3.6 Financial commitment from the Scottish Government for at least 50% of NHS frontline spending to take place in the Community Health Service by 2021. Set aside budgets and the release of savings continue to be problematic, this is an unacceptable position four years after integration and it is expected that all issues are resolved by the end of this financial year.

4 ENGAGEMENT

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

5 POLICY IMPLICATIONS

5.1 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	13 January 2020



REPORT TO: East Lothian IJB Audit and Risk Committee
MEETING DATE: 22 January 2020
BY: Chief Finance Officer
SUBJECT: Audit Scotland Report on NHS Scotland in 2019

7

1 PURPOSE

This report summarises how the NHS in Scotland is performing and what is required to achieve a sustainable NHS.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the key messages contained in the Audit Scotland report.

3 BACKGROUND

- 3.1 Audit Scotland published a report on 24 October 2019 - "NHS Scotland in 2019" "The full publication of the report can be found here: <https://www.audit-scotland.gov.uk/report/nhs-in-scotland-2019>

Key Messages

- 3.2 There is real pressure on the NHS. People in Scotland are living longer and more of us are needing treatment for the conditions that come with old age. More people were seen and treated on time in the last year and patient safety improved, but just two out of eight key waiting time standards were met as staff struggled to meet rising demand for care.
- 3.3. Large scale system wide reform that leads to less reliance on hospitals and more community based care is needed. Basic foundations are in place but increased focus on providing services away from hospitals is required. The ambitions within the Scottish Government 2020 Vision, which has successful integration of health and social care at its heart, are unlikely to be achieved by next year.
- 3.4 Financial sustainability also remains a challenge. Without reform it is predicted that spending across health and social care in Scotland will increase to around £20.6bn by 2023/24. Financial sustainability remains a challenge and without reform the Scottish Government predicts there could be a £1.8billion shortfall in funding for health and

social care by 2023/24.

4 ENGAGEMENT

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

5 POLICY IMPLICATIONS

- 5.1 There are no 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
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