



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 27 October 2022

BY: Chief Finance Officer

SUBJECT: IJB's Audited Annual Accounts for 2021/22

1 PURPOSE

1.1 This report presents the IJB's annual accounts for 2021/22.

2 RECOMMENDATIONS

2.1 The IJB is asked to:

- i. Note the IJB's Audited Annual Accounts for 2021/22; and
- ii. Note the External Auditor Annual Report for East Lothian IJB for 2021/22.

3. BACKGROUND

3.1 As a body governed by section 110 of the Local Government Scotland Act (1973) and the appropriate regulations and subsequent Acts, the IJB must prepare a set of Annual Accounts. The accounts must fulfil the requirements of the Act and the regulations and must give a true and fair view of the IJB's financial position.

3.2 The accounts are reviewed by an Independent Auditor who reported their findings to the IJB's Audit & Risk Committee on the 13th September 2022. There were no issues arising from the auditors' report and the committee recommended acceptance and authorisation of the annual accounts.

3.3 The auditor's report is unqualified - that is that the auditors consider that the accounts meet the regulations and requirements of the Act and that the accounts are a true and fair view of the IJB's financial position.

3.4 The accounts have also now been signed electronically in line with the request to the IJB for this to happen after the September Audit & Risk Committee.

4 ENGAGEMENT

4.1 The IJB makes its papers and reports available on the internet.

5 POLICY IMPLICATIONS

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

6 INTEGRATED IMPACT ASSESSMENT

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

7 DIRECTIONS

7.1 The IJB may wish to issue directions regarding the use of the reserves (especially these funds carry forward to support the COVID pandemic).

8 RESOURCE IMPLICATIONS

8.1 There are no immediate resource implications from this report.

9 RISK

9.1 None

10 BACKGROUND PAPERS

10.1 None

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DATE	October 2022

Appendix 1 - East Lothian IJB Audited Annual Accounts for 2021/22.

Appendix 2 - External Auditor Annual Report for East Lothian IJB for 2021/22.



East Lothian Integration Joint Board

Audited Annual Accounts 2021/22



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Audit Arrangements

Under arrangements approved by the Accounts Commission of Scotland, the auditor with responsibility for the audit of the accounts of East Lothian Integration Joint Board for the period 1 April 2021 to 31 March 2022 is Audit Scotland, 102 West Port, Edinburgh EH3 9DN.

Management Commentary

Introduction

The management commentary considers the work that the IJB has undertaken during the financial year 2021/22 and then describes the financial performance for the financial year ended 31 March 2022. It further provides an overview of the key messages relating to the role, remit, members, objectives and the strategy of the East Lothian Integration Joint Board (IJB).

Impacts of COVID-19 on Service Outcomes and Integration

2021/22 is the second year of the COVID-19 pandemic and the IJB would like to sincerely thank the staff of NHS Lothian, East Lothian Council, the GP Practices, the independent providers of social care and the voluntary organisations who have continued to deliver the functions that have been delegated to the IJB during a very difficult period.

COVID-19 has continued to disrupt patient journeys and service delivery in health and care settings and is delaying access to secondary care treatment which might otherwise reduce care requirements for individuals. The impact of the pandemic has also continued to constrain the work of the IJB in the delivery of its Strategic Plan, for example delivery of services had to cease or reduce to ensure compliance with public health guidance ultimately to keep staff, patients and clients safe. The IJB remains committed to supporting its partners (East Lothian Council and NHS Lothian) during this very difficult time but it is hoped that in 2022/23 that the impacts of the pandemic become more manageable and that the IJB will be able to return to a more 'business as usual' position.

During the financial year, the IJB has expended around £8,141,000 to support the additional costs of health and social care generated by the COVID-19 pandemic and this has been funded through the IJB's COVID-19 reserve along with additional grants from the Scottish Government. In addition, the IJB has continued to support NHS Lothian with its remobilisation plan as part of the overall recovery of Health and Social Care services from the pandemic

These accounts cover the period from 1 April 2021 to 31 March 2022.

The Role and Remit of the IJB

The purpose of integration is to improve care and support and therefore the health and wellbeing outcomes for people who use health and social care services. It will make sure that they are listened to, involved and take part in decisions about their care and how it is delivered. It is a significant change in how the strategic planning and delivery of services happens with a range of partners – individuals, local groups and networks, communities and organisations, including patients, service users, carers and the third and independent sectors



The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) requires Local Authorities and Health Boards to integrate the strategic planning of a substantial number of health services and functions and most social care functions. The functions delegated to the IJB by East Lothian Council and NHS Lothian are as follows:

- Adult Social Care
- Criminal Justice
- Primary Care Services (GP Practices, Community Dentists, Community Pharmacies and Community Opticians)
- Mental Health Services
- Physical and Learning Disabilities Services
- Community Health Services
- Community Hospital Services
- Unscheduled Care Services (services that are generally delivered from the Royal Infirmary of Edinburgh, the Western General Hospital and St. John's Hospital)

The IJB sets the strategic direction for these delegated functions through the development of a Strategic Plan, to enable it to plan and deliver these strategic outcomes at an overall health and social care level. It gives Directions to the Council and NHS Lothian for the operational delivery of functions and the resources available to them for this.

East Lothian IJB is an Integration Authority set up under the Public Bodies (Joint Working) Act (2014). It is a 'body corporate', that is a separate legal entity. The IJB is constituted through its Integration Scheme which was prepared by East Lothian Council and NHS Lothian and presented to Scottish Ministers in March 2015. The Integration Scheme was approved by the Scottish Parliament in June 2015 and the first meeting of the IJB took place on 1 July 2015. The IJB assumed formal responsibility for these functions in April 2016 including the budgets for the delivery of these functions.

The Strategic Plan

The strategic plan of each IJB must be reviewed and approved by the IJB every 3 years. East Lothian IJB approved its second Strategic Plan on 28 March 2019, this covers April 2019 to March 2022. A link to the plan is below:

https://www.eastlothian.gov.uk/downloads/file/28278/east_lothian_ijb_strategic_plan_2019-22

The IJB is developing a new Strategic Plan for 2022-2025 and this work is further described below. The IJB Strategic Plan was agreed by the IJB in March 2019 to run from April 2019 to March 2022, in June 2021 the IJB agreed to extend the strategic plan until September 2022.

The process of monitoring the progress of the Strategic Plan and the development of that plan is managed by the IJB's Strategic Planning Group. This group is supported by six change boards reflecting on the IJB's strategic priority areas for change.



These focus on: primary care, adults with complex needs, transformation, adults affected by mental health and substance misuse issues, shifting care from acute hospitals to the community and support to carers.

Each Change Board has to take into account in its work key principles or 'Golden Threads'. The Golden Threads are:

- early intervention and prevention
- carers needs
- Self-Directed Support rights
- equality and diversity, including tackling health inequalities and discrimination
- re-ablement/recovery
- needs of people with dementia health promotion
- partnership working
- communication, engagement and involvement
- advocacy
- community justice
- maximising effective use of resources
- use of integrated information technology and technology enabled care; and
- tackling social isolation

There is a requirement on all projects to evidence to their respective Change Board that the Golden Thread commitments have been achieved as part of project delivery.

As mentioned above the IJB is preparing a new Strategic Plan to cover the years 2022-2025. This will be presented to the IJB in September 2022.

Review of the IJB's Integration Scheme

The IJB is constituted through the Integration Scheme drawn up by East Lothian Council and NHS Lothian. This requires revision every five years – although because of the COVID-19 pandemic the scheme had not been revised for six years - and East Lothian Council and NHS Lothian Council drafted a new scheme during the financial year which has been out for consultation and approved by both Council and the Health Board. The scheme is currently with Scottish Government. This new scheme contains no material changes for the old scheme and therefore there should not be any impact on the IJB.

IJB Membership

The IJB comprises eight voting members, made up of four elected members appointed by East Lothian Council and four NHS Lothian non-executive directors appointed by NHS Lothian. There are a number of non-voting members of the Board, including the IJB Chief Officer, Chief Finance Officer, medical and nursing professional advisors, representatives for Carers and third party organisations and staffing representatives.

The IJB met virtually 7 times during the financial year 2021/22. The membership of the IJB during 2021/22 was as follows:



Member	Nominated/Appointed by	Role
Peter Murray	Nominated by NHS Lothian	Chair (voting member)
Councillor Shamin Akhtar	Nominated by East Lothian Council	Vice Chair (voting member)
Alison Macdonald (to June 2022)	Appointed by IJB	Chief Officer (non-voting member)
Fiona Wilson (from June 2022)	Appointed by IJB	Chief Officer (non-voting member)
David King (see note below)	Appointed by IJB	Interim Chief Finance Officer (non-voting member)
Fiona Ireland	Nominated by NHS Lothian	Voting Member
Dr Richard Williams	Nominated by NHS Lothian	Voting Member
Dr Patricia Donald	Nominated by NHS Lothian	Voting Member, Chair of Audit & Risk Committee
Councillor Fiona O'Donnell	Nominated by East Lothian Council	Voting Member
Councillor Neil Gilbert	Nominated by East Lothian Council	Voting Member
Councillor Sue Kempson	Nominated by East Lothian Council	Voting Member
Vacant	Appointed by IJB	Independent sector representative (non-voting member)
Paul White until September 2021 then Maureen Allan	Appointed by IJB	Third sector representative (non-voting member)
David Binnie	Appointed by IJB	Carer representative (non-voting member)
Marilyn McNeill	Appointed by IJB	Service-user representative (non-voting member)
Prof Emma Reynish until August 2021 then Dr. Claire Mackintosh	Nominated by NHS Lothian	Medical Consultant (non-voting member)
Lesley White	Appointed by IJB	ELC Staff Representative (non-voting member)
Judith Tait	Nominated by East Lothian Council	Chief Social Work Officer (non-voting member)
Thomas Miller	Appointed by IJB	NHS Staff Representative (non-voting member)

Member	Nominated/Appointed by	Role
Dr Jon Turvill	Nominated by NHS Lothian	Clinical Director (non-voting member)
Iain Gorman	Appointed by IJB	Head of Operations (non-voting member)
Lorraine Cowan	Nominated by IJB	Chief Nurse (non-voting member)
Dr. Wendy Hale (from February 2022)	Appointed by the IJB	Specialist in Substance Abuse (non-voting member)
Philip Conalglan	Appointed by IJB	Public Health (non-voting member)

Note – Claire Flanagan is the IJB’s Chief Finance Officer, however she went on maternity leave from the start of August 2021. From then until the end of the Financial year, David King acted as Chief Finance Officer. Claire Flanagan returned to her post in May 2022. The Chief Officer (Alison MacDonald) was appointed to the post of NHS Lothian Executive Director of Nursing and AHPs and she has stepped down as Chief Officer in June 2022. Fiona Wilson has been appointed as Chief Officer and took up post at the end of June 2022.

The IJB’s Operations for the Year

Allowing for the constraints and the operational impact of the COVID-19 pandemic on the IJB’s partners, the IJB has continued to deliver its current Strategic Plan during the financial year. The Strategic Plan is delivered through the IJB’s directions to the partners (East Lothian Council and NHS Lothian) and the IJB considered the delivery of these directions in detail at its June 2021 and February 2022 meetings. The IJB’s Strategic Planning Group (SPG) has met regularly during the financial year to reflect on and develop the IJB’s Strategic Plan with the SPG being supported by the Change Boards as described above

The IJB categorises its services into three broad areas –

Core Services

These are the local health and social care services within East Lothian and are operationally managed by the Health and Social Care Partnership (The HSCP) which is a joint arrangement between East Lothian Council and NHS Lothian. The HSCP has operational delivery of these local services and forms part of the IJB under the title of core services where they are delegated, the IJB however is much wider than this and the IJB not only strategically commissions the delegated services of the HSCP but also those operationally managed outwith East Lothian for example the Emergency Department of the Royal Infirmary of Edinburgh (part of set aside below).

Hosted Services



These being delegated functions that are operationally managed by other parts of NHS Lothian – for example in-patients mental health services provided at the Royal Edinburgh Hospital in Edinburgh.

Set Aside Services

These being delegated functions operationally managed by NHS Lothian in its Acute Division. The Appendix to these accounts describes Set Aside in more detail.

Within each of these areas the IJB has continued to drive forward its Strategic Plan. Examples include –

Core Services

The East Lothian HSCP teams continue to remobilise services locally and are:

- Supporting COVID-19 related actions
- Providing high quality and responsive professional oversight and support to care homes and care at home services
- Providing enhanced community support to home care and care homes to avoid hospital admission
- Delivering a suite of rehabilitation and Technology Enabled Care (TEC) Services
- Developing and delivering long-COVID-19 support (and post-COVID-19 rehabilitation) through rehabilitation services
- Developing pain management approaches
- Fully remobilising social care packages

During the year, the East Lothian Community Hospital wards continue to operate at Amber, with one ward available to mobilise to Red if necessary and with the flexible ward layout continuing to provide bed capacity to respond to increased acute sector or community demand. This is part of the system wide management of the pandemic which is indicated at a range of categories – amber and red being the most severe.

The IJB has also supported the expansion of face-to-face patient attendance at Outpatients and this is happening as circumstances allow. Most clinics still run with one face-to-face appointment and with the majority of follow-up appointments utilising 'Near Me' video.

Care Homes

The nurse-led care home team continues to support East Lothian Care Homes in maintaining high quality services and appropriate infection prevention control approaches (some of which require significant investment in view of building design limitations) to protect residents and staff, while responding to easing of restrictions. The visiting restrictions and testing requirements continue to place additional stress on Care Home providers and staff.

The team continues to manage activity which might otherwise be directed to GP practices, by responding to acute illness, providing anticipatory care and managing many long-term conditions. In doing so, the team is reducing admissions and supporting discharge from hospital.

All care homes continue to receive tailored education and training input from the Care Home Team.

Care at Home

The Pandemic has seen an increased demand on Care at Home services, resulting from continued restrictions on day support, carers not coping and a reluctance to accept residential respite or care home permanent placements. High levels of demand are being met by an increase in the HSCP's homecare service and Hospital to Home funding and by block contract awards to external providers.

The sector is experiencing significant strain, with all providers struggling to recruit adequate staff and to continue to deliver services while dealing with waves of absence resulting from COVID-19 self-isolation.

Work is underway to improve efficiency in assessments for service support, in application of eligibility criteria and in continuing the drive to ensure efficiency in use of resources.

Community Support

Transformation of community resources for under and over 65s continues, with service redesign focussed on the challenges and costs of delivering a blended model. New opportunities arising from COVID-19 responses are being pursued, focussed on: community support; direct access to community physiotherapy and the possibility of third sector co-ordinated volunteers providing support.

Delivery of adult social work continues, with these conducted by telephone and video conference as indicated by assessment of need. Face-to-face appointments remain focussed on statutory and urgent assessments. Each client is risk assessed on an individual basis.

Primary Care

The IJB has continued to support its Primary Care Improvement Plan (PCIP) as a key part of the implementation of the new GMS (General Medical Services) contract

The PCIP has:

- Fully established a Community Link Worker service to all GP practices
- Delivered the flu vaccination programme - planning is underway for delivery of all previously GP delivered vaccinations and for existing and new COVID-19 jags
- Provided pharmacotherapy services to all practices, with further increases planned
- Established Community Treatment and Care (CTACs) bases around East Lothian
- Expanded the Care When It Counts (CWIC) same-day, Nurse Practitioner-led primary care service from one GP practice to four (47% of East Lothian population) with high satisfaction among service users
- Provided direct access Musculoskeletal (MSK) Services, which reduced waiting times



- Established a CWIC mental health service - greatly improving access by providing direct access for patients.

East Lothian Rehabilitation Service (ELRS)

ELRS continues to deliver a suite of services to support patients across a growing and aging population, in recovering from illness and injury and in regaining and maintaining independence. All of ELRS services use integrated approaches, delivered where possible in partnership with other teams.

A new BT Cloud-based telephone contact centre, launched on 14th June 2021, provides patients with a single point of contact, giving rapid access to a clinician who can deal with enquiries immediately, book an appointment/allocate for further assessment or place on a waiting list for:

- Musculoskeletal Physiotherapy
- Community Occupational Therapy
- Domiciliary Physiotherapy
- Post-COVID-19 rehabilitation (via Advanced Practice Occupational Therapy and Physiotherapy).

The system also provides ELRS with metrics to understand demand variation, which assists with capacity planning.

MSK (Musculoskeletal) Service

The service provides direct, first point of contact access to specialist MSK physiotherapy assessment and treatment, significantly decreasing routine MSK waits. It delivers a safe, effective, responsive and cost effective MSK physiotherapy model, providing physiotherapy input to patients in a timely manner, with input determined by assessment of individual clinical need. The service while directing activity from primary care, so decreasing GP workload. In house escalation protocols ensure direct referrals to secondary care if indicated

As all of the Advanced Physiotherapy Practitioners are accommodated within the physiotherapy service, there is no pressure on practices to provide rooms or equipment.

Post-COVID-19/Long COVID-19

A short-life working group has developed an evidence-based and multidisciplinary post-COVID-19/long COVID-19 pathway for East Lothian. This provides assessment and rehabilitation responsive to client demographics.

The group is functioning as a post-COVID-19 network and is developing competencies and in-service training framework for staff across all services to ensure equity of knowledge and resources. The Group's post-COVID-19 directory acts as a resource pack for clinicians and patients to draw on.

Digital and Technology Enabled Care Innovation

The Occupational Therapy (OT)/Physiotherapy (PT) teams continue to use a digital monitoring tool to assess patient mobility and function at home, allowing in some cases reduced packages of care.



Remobilisation of Wellwynd Technology Enabled Care (TEC) clinic is allowing recommencement of OT assessments and application of necessary interventions for patients, alongside the continuation of remote consultations and home visits to explore smart TEC options to support independence. The team is also providing support and advice across East Lothian HSCP teams to support and promote TEC solutions to support clients

The TEC team continues to respond to critical technical service visits and referrals for telecare installations to facilitate hospital discharges and to prevent hospital admissions.

Hosted Services

The IJB has considered and supported phase II of the Royal Edinburgh Hospital (REH) business case, this was considered at its meeting in October 2021. The Royal Edinburgh Hospital is an in-patient facility for Mental Health patients in Edinburgh. NHS Lothian have been working on rebuilding this hospital and providing modern fit-for purpose accommodation and services for patients.

As part of the overall IJB's Mental Health Strategy, the IJB has been successful in reducing the in-patient bed usage at the REH and now requires fewer beds than it used previously. This is recognised in the phase II business case and the IJB was asked to agree to the proposed bed numbers (which it did) noting that financial releases will be available at the end of this development and that these resources can then be reinvested in local mental health services.

Set Aside Services

The COVID-19 pandemic has generated serious pressures on the Acute Hospitals which support East Lothian Patients (the Royal Infirmary of Edinburgh and the Western General Hospital). This has not stopped the IJB's work on reducing its use of acute beds and reducing attendances at the Emergency Department but the IJB recognises the pressure on the Acute system caused by the pandemic and has concentrated on reducing that pressure as much as possible. This work has been delivered by the HSCP who have been developing intermediate care services to reduce admissions and lengths of stay as much as possible.

Performance

The core components and key developments for 2021/22 are summarised above and further details will be included in the Annual Performance Report. The Annual Performance Report will be published at the end of September 2022, it has therefore not been possible to include a link to this at this time, but this will be available on the IJB webpage in due course which will include key performance indicators and comparators.

The IJB's Position at 31 March 2022

For the year ending 31 March 2022, the IJB was underspent. That is, the costs incurred in delivering the IJB's functions by East Lothian Council and NHS Lothian are less than the income that the IJB received from NHS Lothian and East Lothian Council.



This is the third year that the IJB has been underspent. The underspend in 2020/21 was a reflection of the impact of the COVID-19 pandemic on the health and social care system. Although the system was under a huge pressure additional financial resources were made available to cover that pressure but the shortage of staff and the impact on the pandemic on the third party providers of social care meant that some planned programmes couldn't be undertaken and in financial terms, the IJB was underspent and carried this money forward in its reserves.

Although underspent the IJB still has financial challenges in areas such as General Medical Services and prescribing budgets due to rising prices and demand plus significant financial challenges within our social care learning disabilities budget where care packages are complex and expensive.

In 2021/22, the underspend has been generated by three main areas:

1. Additional funds have been received in year from the Scottish Government to support the COVID-19 pandemic beyond those required in 2021/22. This has been part of a specific policy to allow the IJBs to be able to carry forward into 2022/23 adequate funds to cover the projected costs of supporting the COVID-19 pandemic in that year.
2. Additional support was made available by the Scottish Government in November 2021 to support Winter pressures, in total c. £1,839,000. The IJB has not been able to utilise these funds in year and they have been added to the IJB's earmarked reserves. In addition further investments were made by the Scottish Government through NHS Lothian, again the IJB has not been able to utilise these funds in year
3. Having taken account of funds to be moved to earmarked reserves, the IJB was left with an operational underspend of £1,727,000. This being, as was the case in 2020/21, largely because of the inability of the IJB to fully utilise its planned programmes through the demands and pressures from the COVID-19 pandemic. These funds have been moved to the IJB's general reserve.

Reserves

The movement in the IJB's reserves and the makeup of that reserve is detailed below. In summary the balance in the IJB's reserves on 31 March 2022 is £20,289,000. This is made up of £9,182,000 for COVID-19 costs, £6,297,000 for earmarked reserves and £4,810,000 of general reserves. It is expected that the COVID-19 reserve will be utilised during 2022/23.

	Opening £000's	in Year £000's	Closing £000's
Covid	3,623	5,559	9,182
Other Earmarked	2,903	3,394	6,297
General	3,082	1,727	4,810
	9,608	10,680	20,289

Elements of the reserve are for very specific projects and the IJB will be encouraging the partners to progress these projects, however some elements (for example Additional Capacity in Care at Home) will support broader work and the IJB is committed to ensuring that the earmarked funds which can be appropriately used to



develop the IJB's services are used in that way. Further detail on the reserves can be found in Note 5 in the statements.

The IJB's general reserve is now in excess of the target set by the IJB's Reserves Policy. The IJB is considering how elements of that reserve can be used, albeit non-recurrently, to further develop work that will support the delivery of the Strategic Plan.

Analysis of the Financial Statements

The financial statements are all presented on a net basis.

The table below summarises the income and expenditure for the IJB for 2021/22.

Income and Expenditure

	Budget Health £000's	Budget Social Care £000's	Expenditure Health £000's	Expenditure Social Care £000's	Variance £000's	Note
Direct East Lothian Services						
Community AHPS	6,027		5,927		100	
Community Hospitals	13,307		12,800		507	
District Nursing	2,795		2,671		124	
General Medical Services	18,835		19,049		-214	
Health Visiting	2,030		1,923		107	
Mental Health	6,116		6,049		67	
Other	20,163		10,757		9,406	
Prescribing	20,894		21,378		-484	
Resource Transfer	4,961		4,964		-3	1
Older People		29,394		30,012	-618	
Mental Health		1,867		2,011	-144	
Physical Disabilities		2,496		2,699	-203	
Learning Disabilities		14,943		17,827	-2,884	
Planning and Performance		2,984		2,877	107	
Other		8,303		3,614	4,689	
East Lothian Share of pan Lothian						
Set Aside	23,652		23,825		-173	2
Mental Health	2,721		2,778		-57	
Learning Disabilities	1,699		1,713		-14	
GP Out of Hours	1,580		1,572		8	
Rehabilitation	1,055		949		106	
Sexual Health	836		811		25	
Psychology	1,046		1,113		-67	
Substance Misuse	419		407		12	
Allied Health Professions	1,716		1,597		119	



Oral Health	2,225		2,187		38	
Other	4,197		4,067		130	
Dental	7,026		7,026		0	3
Ophthalmology	2,091		2,091		0	3
Pharmacy	4,555		4,555		0	3
Totals	149,946	59,987	140,209	59,040	10,680	
SCF	6,216	-6,216	6,216	-6,216	0	4
Per accounts	156,160	53,771	146,427	52,824	10,680	

Income & Expenditure Notes

1. Resource Transfer are funds for specific purposes which are transferred from health to social care. However, these remain part of the health budget and are reported there.
2. Set Aside is the budget for those functions delegated to the IJB which are managed by the Acute Services management teams within NHS Lothian; These services are:
 - Accident and Emergency
 - Cardiology
 - Diabetes
 - Endocrinology
 - Gastroenterology
 - General Medicine
 - Geriatric Medicine
 - Rehabilitation Medicine
 - Respiratory Medicine
 - Various ancillary support services for the above.

These services are delivered at the Royal Infirmary of Edinburgh, the Western General Hospital and St. John's Hospital.

3. In the Health system, expenditure to support the delivery of community dentistry, community opticians and community pharmacists is termed as 'non cash limited' (NCL) but is clearly part of the delivery of primary care services and these functions are delegated to the IJB. However, being NCL there is no budget as such but any expenditure incurred is supported in its entirety by the Scottish Government. The NCL values are not part of the budget setting process, there being no budget, but NHS Lothian has matched the NCL expenditure with income to cover this expenditure.
4. The Social Care Fund (SCF) is a resource which the Scottish Government has directed to the IJB through NHS Lothian and is shown as health funds in the accounts. However, these funds are then transferred to the Council and used to support the delivery of social care services and the analysis above reflects this.

The charges (shown as expenditure above) made by East Lothian Council to the IJB are the net direct costs incurred in the delivery of social care services in East Lothian. The charges from NHS Lothian are based on the health budget setting model as



agreed by the IJB. That is, charges for the core services (those services specifically for and delivered by the East Lothian HSCP) are based on the net direct actual costs incurred in East Lothian. However, charges for hosted and set aside services (those services which are not generally managed by the East Lothian Partnership and are delivered on a pan-Lothian basis) are based on the total actual costs for these services shared across four IJBs per the budget setting model. The IJB share of the total actual costs incurred in 2021/22 for hosted services is 12% and, generally, 12% of the Lothian element of the set aside budgets and the non-cash limited budgets.

Consideration of the 2022/23 Financial Position

The IJB set a balanced budget for 2022/23 at its March 2022 meeting, albeit using an indicative budget offer from NHS Lothian. The 2022/23 Scottish Budget settlement included significant resources for the Integration Authorities to support further capacity and development in social care and these funds along with an appropriate utilisation of the IJB's reserves as discussed above allowed the IJB to set a balanced budget. That said, there are clearly a significant range of financial pressures impacting on the IJB's partners and the IJB is committed to supporting the partners in so far as the Integration Scheme allows.

NHS Lothian published their 2022/23 initial budget forecast at their Board meeting of 6th April 2022. This forecast shows an unbalanced position with a current projected financial gap of which £79m related to the costs of supporting the Covid Pandemic leaving a core gap of £28m. This gap is then analysed over the delegated and non-delegated functions and shows a gap for East Lothian IJB of £205,000 which is in line with the forecast position in the March 2022 budget setting paper. That said, there is clearly a significant set of pressures within those functions that are not delegated to the IJB. The IJB will wish to consider, as part of the on-going development of its Strategic Plan, how the delegated functions can support pressures on the other non-delegated functions. It should be noted that the NHS Lothian budget remains indicative as further allocations for delegated functions will be received from the Scottish Government in year

The East Lothian Council 2022/23 budget is set and was agreed by the Council. Its clear from further information now available that pressures on the social care budgets, especially the uplifts now being requested by the providers, may be greater than was originally estimated as part of the budget setting process. This may impact on the ability of the IJB to further develop social care services as element of the additional resources from the 2022/23 settlement are used to manage increased financial pressures.

Consultation on the National Care Service

The Scottish Government is undertaking a consultation on their proposal to set up a national care service. The consultation process will support the development of the Bill and under the current proposals IJBs will be reformed into local care boards, accountable to Scottish Ministers. The IJB has formally responded to the consultation and this was presented to the IJB at its October 2021 meeting. The IJB awaits clarity from the legislation.



Lothian Strategic Development Framework

NHS Lothian has drawn up a strategic development framework which includes a range of functions which have been delegated to the IJBs. NHS Lothian and the Lothian IJBs have committed to work jointly to deliver the ambitions in the IJBs' updated Strategic Plans.

Key Risks and Uncertainties

The challenge for the IJB is to transform the delivery of its delegated functions whilst supporting the delivery of financial balance within the financial resources available.

There remain a series of uncertainties:

- The coronavirus pandemic resulted in a disruption for many services and additional funding met by the Scottish Government to mobilise services is a short term solution. The medium and long term impacts of the pandemic remain uncertain and there is little doubt that significant financial challenges lay ahead.
- East Lothian faces increasing demands from this ageing and growing population and we must ensure we have the ability to provide additional GP consultations and provide services locally in appropriate premises. East Lothian has a high level of aging population growth in Scotland. This population growth and the increasing aspiration to deliver more care in the local community results in pressure on GP practices to provide fit-for-purpose premises.
- The increasing population in East Lothian remains a challenge which may exacerbate the staffing and financial pressures above.
- The financial position for the UK and Scotland remains uncertain and this will provide a challenge to the amount of financial resources available to the IJB.
- That said, the Scottish Government have announced a series of investments in Primary Care, Mental Health and Substance misuse and Drugs Related Deaths all of which will be directed to the IJB and these resources will support not only the delivery of the new GMS contract but also the transformation programme that the IJB is managing for these services.
- The current fragility of provider organisations in the home care and care homes sector may require action and investment to secure sustainability in these important services

Peter Murray
Chair


13 September 2022

Fiona Wilson
Chief Officer


13 September 2022

Claire Flanagan
Chief Finance Officer


13 September 2022

Statement of Responsibilities

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the chief finance officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003)
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit & Risk Committee on 13th September 2022.

Signed on behalf of East Lothian Integration Joint Board



Peter Murray
Chair

13 September 2022

Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the East Lothian Integration Joint Board at the reporting date and the transactions of the East Lothian Integration Joint Board for the year ended as at 31 March 2022.



Claire Flanagan
Chief Finance Officer

13 September 2022

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by East Lothian Council and NHS Lothian Board. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the IJB in 2021/22.

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for the Chair or Vice Chair.

NHS Lothian remunerates its non-executive members on a notional day basis. That is they are paid a fixed annual amount which is considered to represent payment for one day a week. Those non-executive members of the NHS Lothian Board, who are also Chairs or Vice Chairs of IJBs, are given an additional day's remuneration per week in recognition of the additional time required to undertake those roles. Peter Murray, as a non-executive member of NHS Lothian Board who was also the Chair of East Lothian IJB, has received an additional day's remuneration specifically for his role as Chair of the IJB in 2021/22. This remuneration is £8,930 per annum.

Remuneration: Officers of the IJB

The IJB does not directly employ any staff in its own right, however, specific post-holding officers are non-voting members of the Board.

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

The Chief Officer of the IJB was Alison MacDonald until end of June 2022. Alison has a joint role as Director of Health and Social Care for East Lothian Council and the Joint



Director of the East Lothian Partnership. As in previous years it has been agreed, 50% of total remuneration is to be shown in the accounts of the IJB as the remuneration as the Chief Officer of the IJB.

Chief Finance Officer

Although the costs of the Chief Finance Officer are not included in the charges made to the IJB by either partner, given the S95 role of the Chief Finance Officer and in the interests of transparency, the remuneration of the Chief Finance Officer is included below. During 2021/22 the Chief Finance Officer (Claire Flanagan) was on a leave of absence between the start of August 2021 until the end of March 2022. The Chief Finance Officer is employed by NHS Lothian and has three roles – the IJB’s Chief Finance Officer, the Chief Finance Officer of Midlothian IJB and an operational role in the NHS Lothian finance team as a Finance Business Partner. On that basis, one third of the total remuneration for Claire Flanagan is shown below. Between August 2021 and March 2022, the role of Chief Finance Officer was undertaken on an Interim basis by David King. David King is retired but was paid on the NHS Lothian Staff bank (by NHS Lothian) on an ad hoc basis. David King also undertook the role of CFO in Midlothian IJB but did not undertake any duties as a finance business partner. NHS Lothian have provided the total costs of having employed David King during this time and half of these costs will be shown here (the other half shows in Midlothian IJB). David King is not superannuated.

Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

Total for 2020/21 £	Senior Employees Salary, Fees & Allowances	Total for 2021/22 £
50,757	Alison MacDonald, Chief Officer	53,692
25,000	Claire Flanagan, Chief Finance Officer	9,644
n/a	David King, Interim Chief Finance Officer	14,047

In respect of officers’ pension benefits, the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.



Pension Disclosure

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

	In Year Contribution (restated)		Accrued Pension benefits	
	For year to	For year to	at	at
	31/03/2021	31/03/2022	31/03/2021	31/03/2022
	£000's	£000's	£000's	£000's
Alison MacDonald	21	22	Pension 16	17
			Lump Sum 6	13
Claire Flanagan	16	17	Pension 16	18
			Lump Sum 25	27

Disclosure by Pay Bands

Pay band information is not separately disclosed as all staff pay information has been disclosed in the information above.

Exit Packages

The IJB did not support nor did it direct to be supported by its partners for any exit packages during 2021/22.



Peter Murray
Chair

13 September 2022



Fiona Wilson
Chief Officer

13 September 2022



Annual Governance Statement

Purpose

The annual governance statement lays out how East Lothian Integration Joint Board (the ELIJB) complies with the Code of Corporate Governance and sets out the framework within which the ELIJB has put in place proper financial and governance arrangements for the conduct of its business affairs. This will facilitate the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal control are in place.

Scope of Responsibility

ELIJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow the public funds at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Board members, including the Chief Officer and the Chief Finance Officer, are responsible for the governance of the business affairs of the ELIJB. This includes setting the strategic direction, vision, culture and values of the ELIJB and establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

In order to achieve this, the ELIJB follows the principles of corporate governance based on the CIPFA/SOLACE Framework and Guidance on ‘Delivering Good Governance in Local Government’.

The ELIJB Local Code of Corporate Governance details 7 core principles which are supported by 20 sub-principles and 91 behaviours and actions that demonstrate good governance. Elements of good governance included are:

- Ensuring Board and Committee members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the ELIJB;
- Creating the conditions to ensure that all ELIJB members and the ELIJB’s partners (East Lothian Council and NHS Lothian) are able to fulfil their responsibilities in accordance with legislative and regulatory requirements;
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources and to ensure best value is achieved, the ELIJB Workforce Plan 2019-2022 was approved by the ELIJB in May 2019;
- Evaluating and monitoring risk management and internal control on a regular basis, which is monitored through the ELIJB Audit and Risk Committee;
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the ELIJB’s Chief Internal Auditor, as monitored through the ELIJB Audit and Risk Committee;
- Ensuring an audit committee, which is independent of the Board and accountable to the IJB, provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon. As demonstrated in the maintenance of all 2021/22 Audit and Risk Committee meetings;
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and providing an Annual Report



which includes an action plan for improvement and evidence to demonstrate good governance (the annual governance statement); and

- Ensuring that recommendations for corrective action made by the external auditor are acted upon.

ELIJB Audit & Risk Committee approved the ELIJB adoption of the CIPFA Financial Management Code in March 2022. ELIJB's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government. The Chief Finance Officer has overall responsibility for the ELIJB's financial arrangements and is professionally qualified and suitably experienced.

The functions of the Audit and Risk Committee are undertaken as identified in Audit Committees: Practical Guidance for Local Authorities and Counter fraud and anti-corruption arrangements are in accordance with the Code of practice on Managing the Risk of Fraud and Corruption within the partner organisations

The ELIJB is responsible for conducting each financial year, a review of the effectiveness of its governance framework, including risk management and the systems for internal control and financial control. The review of the effectiveness of the ELIJB's governance framework is informed by:

- The work of the ELIJB Board, the Strategic Planning Group, and the Audit and Risk Committee;
- The annual assurances that are provided by the ELIJB Chief Officer and the Chief Finance Officer;
- The ELIJB Chief Internal Auditor's annual assurance report which is based on internal audit work completed during the year;
- Reports from the ELIJB's external auditor;
- Reports from other external review bodies, agencies and inspectorates.

The key governance arrangements and controls are set out in the Local Code of Corporate Governance.

Statutory and other Compliance

ELIJB ('the Board') has secured compliance with statutory and other requirements, as follows:

- Membership - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated;
- Standing Orders - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at the ELIJB's inaugural meeting and were subsequently amended on 26 March 2020 as part of COVID-19 recess procedures. They comply with statutory requirements;
- Committees - the Board has established an Audit and Risk Committee with a detailed remit and powers and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders;
- Meetings - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees, except in clearly defined and limited circumstances. During the



2021/22 year meetings have been held remotely via Teams. Local press representatives have been invited to meetings and the meetings recorded and made available publicly to meet these commitments;

- Strategic Plan - the Board established its Strategic Planning Group as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures. From August 2020 the Strategic Planning Group continued to meet remotely;
- Annual Performance Report – ELIJB produces an Annual Performance Report, with the last report being published in November 2021 ([east lothian integration joint board annual report 2020 to 2021](#)), incorporating elements of the National Core Suite of National Integration Indicators and a Financial Performance Review. This will be published at the end of September 2022 and available on the IJBs website
- Officers - the Board appointed a Chief Officer and a Chief Finance Officer as required by the legislation. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit and Risk Committee;
- Finance - the Board received reports in relation to financial assurance prior to the setting of budgets for the functions delegated by East Lothian Council and NHS Lothian, and adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements;
- Code of Conduct - the Board adopted a Code of Conduct based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. The Scottish Government approved the ELIJB's initial Code of Conduct on 1 June 2016, a revised code of conduct is being submitted to the June ELIJB meeting and an approved updated Code of Conduct will be supplied to the Scottish Government by the end of June 2022.

The ELIJB Chief Internal Auditor has responsibility for the provision of Internal Audit services to the ELIJB and reports functionally to the ELIJB Audit and Risk Committee to allow appropriate independence. The ELIJB Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The ELIJB Chief Internal Auditor concluded that based on the work undertaken in 2021/22 reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the period to 31 March 2022, but noted areas for further development. These improvements are reflected below.

Action Plan

During 2021/22, areas identified with scope for improvement included the following:

- The Risk Management Policy and Strategy requires to be reviewed and updated, having been originally approved in December 2017 with an expectation that this would be reviewed on a three yearly basis, this did not occur due to other key priorities as a result of the COVID-19 pandemic. The review should ensure that appropriate escalation processes for risks impacting the strategic plan are implemented.
- Financial Reporting to the IJB should be returned to a consistent basis in reporting projected financial outturns. The consistency of reporting has been impacted by



the fast changing nature of the COVID-19 additional funding elements for both partners.

- Evaluation structures monitoring against the strategic objectives set for the East Lothian Community Hospital should be reintroduced during recovery from the COVID-19 pandemic.

The implementation of these actions to enhance the governance arrangements in 2022/23 will be driven and monitored by the ELIJB Chief Officer in order to inform the next annual review. Internal Audit work planned in 2022/23 is designed to test improvements and compliance in governance and implementation of agreed recommendations. Progress has been made against all actions noted in the 2020/21 annual governance statement and monitoring to completion is undertaken by Internal Audit.

It is our opinion, subject to the weaknesses outlined 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 2022.



Peter Murray
Chair

13 September 2022



Fiona Wilson
Chief Officer

13 September 2022



Independent Auditor's Report

Independent auditor's report to the members of the East Lothian Integration Joint Board and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of the East Lothian Integration Joint Board for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the East Lothian Integration Joint Board as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is six years. I am independent of the East Lothian Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the East Lothian Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the East Lothian Integration Joint Board's ability to continue to adopt the



going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the East Lothian Integration Joint Board's current or future financial sustainability. However, I report on the East Lothian Integration Joint Board's arrangements for financial sustainability in a separate annual audit report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my annual audit report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Finance Officer and the Audit and Risk Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the East Lothian Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the East Lothian Integration Joint Board's operations.

The Audit and Risk Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the East Lothian Integration Joint Board is complying with that framework;
- identifying which laws and regulations are significant in the context of the East Lothian Integration Joint Board;



- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the East Lothian Integration Joint Board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

I have audited the part of the Remuneration Report described as audited. In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Finance Officer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my annual audit report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Gillian Woolman MA FCA CPFA
Audit Scotland
102 West Port
Edinburgh
EH3 9DN
13 September 2022



Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments this is shown in the Movement in Reserves Statement.

2020/21		2021/22
Net		Net
Expenditure	Note	Expenditure
£000's		£000's
3,993	Community AHPS	5,927
11,608	Community Hospitals	12,800
2,488	District Nursing	2,671
17,928	General Medical Services	19,049
1,740	Health Visiting	1,923
7,888	Mental Health	8,060
13,545	Other	14,371
20,686	Prescribing	21,378
4,738	Resource Transfer	4,964
28,126	Older People	30,012
3,073	Physical Disabilities	2,699
16,325	Learning Disabilities	17,827
2,543	Planning and Performance	2,877
29,144	Share of pan Lothian Health Services	30,867
21,957	Set Aside	23,825
185,781	Cost of Services	199,251
192,991	Taxation and Non-Specific Grant Income	209,931
7,210	Surplus/(Deficit) on Provision of Services	10,680
7,210	Total Comprehensive Income and Expenditure	10,680

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the East Lothian IJB

	2020/21 Total £000's	2021/22 Movement £000's	2021/22 Total £000's
General Reserves			
Surplus on Provision of Service	3,082	1,727	4,810
Earmarked Reserves			
Surplus on Provision of Service	6,526	8,953	15,479
Total Usable reserves	9,608	10,680	20,289

Reserves

The Integration Joint Board is permitted to set aside future amounts of reserves for future policy purposes. These reserves normally comprise funds that are set aside for specific purposes; and funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies. They are created by appropriating amounts out of revenue balances. When expenditure to be funded from a reserve is incurred, it is charged to the appropriate service in that year and thus included in the Comprehensive Income and Expenditure Statement. Movements in reserves are reported in the Movement in Reserves Statement.

Useable Reserves

East Lothian IJB has both a general reserve which can be used to mitigate financial consequences of risks and other events impacting on the IJB's resources and an earmarked reserve the monies within this fund are earmarked for specific purposes. East Lothian IJB has an earmarked reserve which can be used to mitigate financial consequences of risks and other events impacting on the specific project budget. The monies within this being the carry forward COVID-19 funding, Primary Care Improvement Fund, the Action 15 funding to support implementation of Scottish Government's Mental Health Strategy, the unused elements of funds made available for Winter (Care at Home Capacity, Interim Care and Multi-disciplinary Teams) and other locally committed programmes.



Earmarked Reserves	£000's
COVID-19	9,182
Primary Care Improvement Fund	354
Mental Health Strategy	8
Alcohol and Drugs Strategy	1,038
Community Living Change Fund	346
Care at Home Capacity	419
Interim Care	420
Multi-disciplinary Teams	158
Carers fund	79
Locally Committed programmes	3,476
Committed Project Funds	15,480



Balance Sheet

The Balance Sheet shows the value, as at 31 March 2022, of the assets and liabilities recognised by the Board. The net assets of the Board are matched by the reserves held.

2020/21		Notes	2021/22
Total £000's			Total £000's
	Current Assets		
9,608	Short Term Debtors		20,289
	Current Liabilities		
0	Short Term Creditors		0
9,608	Total Assets less current Liabilities		20,289
	Capital and Reserves		
6,526	Earmarked Reserves		15,479
3,082	General Reserves		4,810
9,608	Total Reserves	MIRS Note 5	20,289

The accounts were authorised for issue on 13th September 2022



Claire Flanagan
Chief Finance Officer

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarises the IJB's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet
- Where debts may not be received, the balance of debtors is written down.

It should be noted that the above principles are those applied by the partners (NHS Lothian and East Lothian Council). The IJB has funded these partners to deliver the delegated functions and these partners have charged the IJB as above.

Funding

The IJB is wholly funded through funding contributions from the statutory funding partners, East Lothian Council and NHS Lothian. Expenditure is incurred in the form of charges by the partners.

Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partner. Consequently the IJB does not present a 'Cash and Cash Equivalent' figure on the Balance Sheet.

The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet. Where income and expenditure

have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.

Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event, settlement of the obligation is probable, and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet but is disclosed in a note only if it is probable to arise and can be reliably measured.

The IJB has no provisions, contingent liabilities or contingent assets at 31 March 2022.

Reserves

The IJB's only Useable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision. As noted above, the IJB had reserves of £20,289,000 at 31 March 2022.



Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Lothian and East Lothian Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. The IJB holds separate indemnity insurance through its membership of the CNORIS scheme; the charge for this in 2021/22 was £3,000.

Unlike NHS Boards, the IJB does not have any ‘shared risk’ exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration is provided for in the IJB’s Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

2. Critical Judgements and Estimation Uncertainty

The critical judgements made in the Financial Statements relating to complex transactions are:

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations’ opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none).
- The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There are no items in the IJB’s Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year.

Provisions

The IJB has not created any provisions in respect of compensation claims. The IJB has not had any claims made against it in 2021/22 nor is it aware of any claims pending. However, it is not certain that all claims have been identified or that the historic level of settlement payments is a reliable guide for future settlements.

3. Events After the Reporting Period

The Annual Accounts were authorised for issue by the IJB’s Audit and Risk Committee. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4. Short Term Debtors

The IJBs short term debtors are broken down as follows:

	2020/21	2021/22
	£000's	£000's
Funding due from NHS Lothian	9,049	18,782
Funding due from East Lothian Council	559	1,507
Total	9,608	20,289

Amounts owed by the East Lothian Council is stated on a net basis; that is the creditor balances relating to expenditure obligations incurred but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

5. Reserves

The IJB's useable reserve is broken down as follows:

	2020/21	2021/22
	£000's	£000's
Earmarked Reserves		
COVID-19 Funding	3,623	9,182
Scottish Government Mental Health Strategy - Action 15	53	8
Scottish Government Primary Care Improvement Plan Fund	226	354
Midlothian and East Lothian Drug and Alcohol Partnership	766	1,038
Community Living Change Fund	346	346
Winter - Care at Home Capacity		419
Winter - Interim Care		420
Winter - Multi-Disciplinary teams		158
Carers		79
Locally Committed Programmes	1,512	3,476
	6,526	15,479
General Reserves	3,082	4,810
Total Reserves	9,608	20,289

6. Taxation and Non-Specific Grant Income

2020/21		2021/22
£000		£000
49,385	Contributions from East Lothian Council	53,771
143,606	Contributions from NHS Lothian	156,160
192,991	Total	209,931

The contributions received by East Lothian IJB represent the funding provided by the Partners (East Lothian Council and NHS Lothian).

The funding contribution from the NHS Board shown above includes £23,825k in respect of the set aside resources and £30,867k in respect of East Lothian's share of pan Lothian health services resources.

7. Corporate Service

Included in the above costs are the following corporate services:

2020/21		2021/22
£000		£000
51	Staff (Chief Officer)	55
6	CNORIS	3
27	Audit Fee	28
84	Total	85

8. Related Party Transactions

As partners with the East Lothian Integration Joint Board both East Lothian Council and NHS Lothian are related parties and the material transactions with these bodies are disclosed in these accounts.

There are elements of expenditure which are shown against NHS Lothian but where the resources are used by social care services delivered by East Lothian Council. Further details are shown on the Income and Expenditure analysis on page 13.

Both Resource Transfer and the Social Care fund are resources which are part of the NHS Lothian Budget and are shown as expected there in but these funds are used to deliver social care service supplied by East Lothian Council.

The change in Resource Transfer in 2021/22 relates to a presentational reclassification exercise within NHS Lothian.

2020/21		2021/22
Net Expenditure		Net Expenditure
£000's		£000's
136,829	NHS Lothian	146,427
(4,738)	Resource Transfer	(4,964)
(6,216)	Social Care Fund	(6,216)
125,875	Total	135,247
48,952	East Lothian Council	52,823
4,738	Resource Transfer	4,964
6,216	Social Care Fund	6,216
59,906	Total	64,003



9. Agency Transactions

COVID-19 Grants were distributed on behalf of the Scottish Government in accordance with the Scottish Government's eligibility criteria. The £500 social care workers grant funding was not received in 2020/21, but has been received and disbursed by East Lothian Council in 2021/22.

10. VAT

The IJB is not a taxable entity and does not charge or recover VAT on its functions. The VAT treatment of expenditure and income within the accounts depends upon which of the partners is providing the services as these bodies are treated differently for VAT purposes.



Appendix 1 – Set Aside

Set Aside budget relates to services provided by large hospitals on behalf of the IJB. The principle is illustrated in the diagram below.

What is a set aside budget?

The budgets of integration authorities (IAs) are composed of two elements:

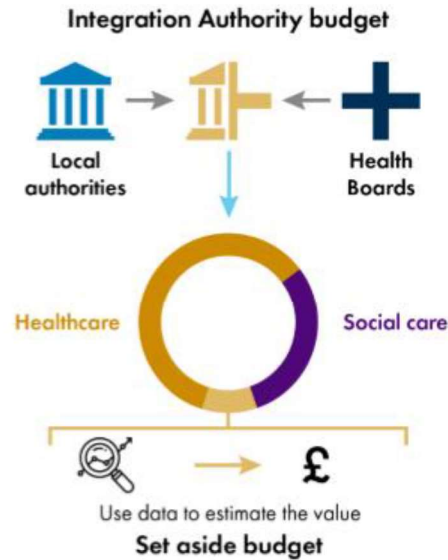
- Social care
- Health care – including primary and community healthcare, as well as some hospital care

The majority of integration authorities (IAs) have a 'set aside' budget. This relates to unscheduled acute hospital care.

How is the set aside budget agreed?

When setting the budget, the integration authority agrees with the NHS health board partner how much it expects to need for unscheduled acute hospital care. To do this, the partners use hospital data on levels of activity.

For IAs using the "set aside" approach, the agreed amount remains within the NHS rather than being paid to the IA (like the rest of the NHS contribution). This "set aside" budget should still remain under the control of the IA.



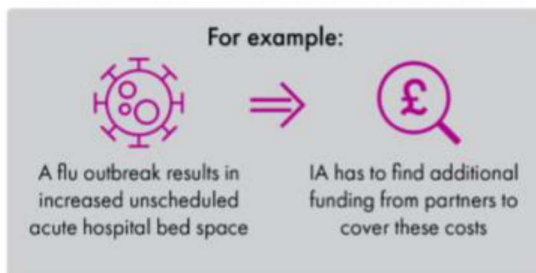
What can change the set aside budget?

In year

During the year, actual **unscheduled acute activity** might be higher or lower than anticipated.

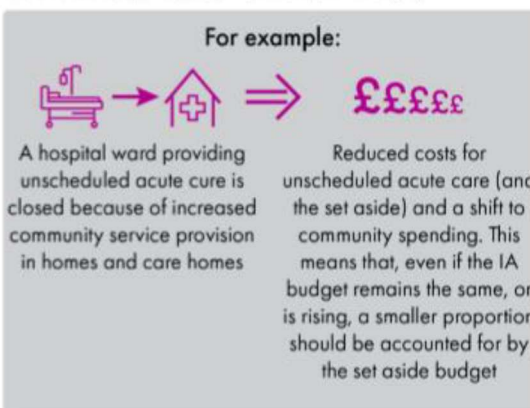
If activity is higher, the IA needs to agree with partners how these additional costs will be met.

If activity is lower, the IA should be able to decide how to spend the difference between actual and anticipated costs.



Longer term

Over the longer term, changes to how services are delivered should also be aimed at reducing demand for unscheduled acute care and – in turn – the set aside budget.



Source - Scottish Government Health and Sport Committee report in October 2019 "Looking ahead to the Scottish Government Health Budget 2020/21: When is hospital bad your health? "

East Lothian Integration Joint Board

2021/22 Annual Audit Report



Prepared for the East Lothian Integration Joint Board and the Controller of Audit
13 September 2022

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Key messages

2021/22 annual accounts

- 1 Our audit opinions on the annual accounts of the East Lothian Integration Joint Board are unmodified.
- 2 The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 3 There was no adverse impact of Covid-19 on the accounting and auditing timetable for the 2021/22 financial statements.

Financial management and sustainability

- 4 The IJB reported an underspend of £10.6 million. Covid-19 funding of £13.7 million was received in 2021/22; £9.2 million of which was unspent at 31 March 2022 and is included in earmarked reserves to cover future costs.
- 5 Reserves have increased from £9.6 million to £20.2 million. We have confirmed that £15.4 million is appropriately earmarked for specific purposes, with the remaining £4.8 million held as a general reserve.
- 6 Medium and longer-term financial plans have yet to be updated to reflect the impact of Covid 19 and prepare for the future.

Governance, Transparency and Best Value

- 7 The governance arrangements are appropriate and operate effectively. There is effective scrutiny, challenge and informed decision making.
- 8 Arrangements are in place to secure best value.

Introduction

1. This report summarises the findings arising from the 2021/22 audit of the East Lothian Integration Joint Board (the IJB).
2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the Audit and Risk Committee in March 2022.
3. This report comprises the findings from:
 - the audit of the East Lothian IJB's annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#)
 - a review of the arrangements put in place by the East Lothian IJB to secure Best Value.
4. The global coronavirus pandemic has had a considerable impact on the IJB during 2021/22. This has had significant implications not least for the services it delivers but also for sickness absence levels, redeployment of staff to critical areas and the suspension of non-essential projects and activities.

Adding value through the audit

5. We add value to the IJB, through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

6. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.
7. Also, the IJB is responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice 2016 and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the IJB's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability, and
- Best Value arrangements.

10. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

11. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

13. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £27,960 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

15. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their co-operation and assistance during the audit.

Audit appointment from 2022/23

16. The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year meaning 2021/22 is the last year of the current appointment round.

17. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Audit Scotland will be the appointed auditor for the East Lothian Integration Joint Board. We are working closely with the new auditors to ensure a well-managed transition.

18. A new [Code of Audit Practice 2021](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

19. We would like to thank Board members, Audit and Risk Committee members, and other staff, particularly those in finance for their co-operation and assistance over the last six years.

Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the East Lothian Integration Joint Board are unmodified.

The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

There was no adverse impact of Covid-19 on the accounting and auditing timetable for the 2021/22 financial statements.

Our audit opinions on the annual accounts are unmodified

20. The IJB's annual accounts for the year ended 31 March 2022 were approved by the Audit and Risk Committee on 13 September 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The Covid-19 pandemic had limited impact on the audit process. The annual accounts were signed off in line with our agreed audit timetable

21. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly. For 2021/22, the deadline for the audited accounts is 31 October 2022.

There were no objections raised to the annual accounts

22. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period.

23. The IJB complied with the Regulations. There were no objections to the 2021/22 annual accounts.

Overall materiality is £4 million

24. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

25. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

26. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts, and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£4.0 million
Performance materiality	£3.0 million
Reporting threshold	£100,000

Source: Audit Scotland

We have no significant findings to report on the audited annual accounts

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

28. We have no significant findings to report from the audit of the annual accounts. We do however note the significant increase in the total reserves as a result of the £10.6 million underspend in year largely caused by the receipt of additional Covid-19 funding in March 2022 and an inability to progress projects during the year due to the pandemic. This is detailed in the financial management and sustainability section of this report (see [Exhibit 3](#) and [Exhibit 4](#)).

29. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls.</p> <p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise are operating effectively.</p>	<p>Service auditor assurances were obtained from the external auditors of East Lothian Council and NHS Lothian in line with the 2021/22 Integration Joint Boards Protocol for Auditor Assurances issued by Audit Scotland.</p> <p>Agreement of contributions received from partner bodies in the Comprehensive Income and Expenditure Statement of the 2021/22 accounts to letters of assurance provided by East Lothian Council and NHS Lothian.</p>	<p>Results: Assurances were obtained from the external auditors of East Lothian Council and NHS Lothian with no issues noted.</p> <p>We did not identify any instances of management override of controls through our audit work.</p> <p>Conclusion: Satisfactory</p>

There were no identified misstatements in the audited annual accounts

30. No misstatements above our reporting threshold were identified during the audit.

Limited progress was made on prior year recommendations

31. The IJB has made limited progress in implementing our two prior year audit recommendations. For the actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management and sustainability

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

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services.

Main judgements

The IJB reported an underspend of £10.7 million. Covid-19 funding of £13.7 million was received in 2021/22; £9.2 million of which was unspent at 31 March 2022 and is included in reserves to cover future earmarked costs.

Reserves have increased from £9.6 million to £20.2 million. We have confirmed that £15.4 million is appropriately earmarked for specific purposes, with the remaining £4.8 million held as a general reserve.

Medium and longer-term financial plans have yet to be updated to reflect the impact of Covid-19.

The IJB underspent by £10.7 million in 2021/22

32. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

33. The Covid-19 pandemic had a significant impact on the IJB's 2021/22 position. In February 2022 additional Covid-19 funding of £13.5 million was received from the Scottish Government with the expectation it would be used in 2022/23 to support Covid-19 costs. This funding is included in the earmarked reserves for use in 2022/23. Plans have been agreed by the IJB.

34. The IJB returned an underspend of £10.7 million against a budgeted breakeven position with the largest underspend, £9.7 million, in health ([Exhibit 3](#)). Various projects within health could not progress in year due to the overall impact of Covid-19 on the IJB including staff absences.

Exhibit 3**2021/22 Performance against budget**

IJB budget summary	Budget £m	Actual £m	Variance £m
NHS Lothian	156.1	146.4	9.7
East Lothian Council	53.7	52.8	0.9
Total Net Expenditure	209.9	199.2	10.7
Surplus (from NHS Lothian to be retained by the IJB)			9.7
Surplus (from East Lothian Council to be retained by the IJB)			0.9

Source: East Lothian IJB 2021/22 Audited Accounts (figures rounded to nearest £100k)

Reserves have increased from £9.6 million to £20.2 million

35. £8.9 million (84%) of the IJB's £10.7 million underspend has been allocated to earmarked reserves to be spent in 2022/23. Covid-19 earmarked reserves represent 45% (£9.2 million) of the total reserves/surplus at year end. ([Exhibit 4](#)).

Exhibit 4**Movement in reserves 2021/22**

Reserve category	Opening balance £m	Increase in year £m	Closing balance £m
Covid-19 earmarked reserve	3.6	5.6	9.2
Other earmarked reserves	2.9	3.4	6.2
Total earmarked reserves	6.5	8.9	15.4
General reserves	3.1	1.7	4.8
Total reserves/surplus	9.6	10.7	20.2

Source: Finance Update to the ELIJB (June 2022) (figures rounded to nearest £100k)

Wider audit dimension risks relating to financial management and sustainability identified in our 2021/22 Annual Audit Plan

36. [Exhibit 4](#) sets out the one audit dimension risk relating to financial sustainability that we identified in our 2021/22 Annual Audit Plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 4

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability – medium term financial planning</p> <p>The Integration Joint Board continues to operate in an increasingly challenging environment, where core national funding to partner bodies is reducing, relative to rising demand for services. The picture is further complicated by the ongoing Covid-19 pandemic which is adding to the pressure on resources and services.</p> <p>As highlighted in our 2020/21 Annual Audit Report it is important that medium term budgets are developed to assess the impact of the Covid-19 pandemic on the finances of the IJB.</p> <p>In the absence of such budgets there is a risk that the IJB will not be able to deliver against its objectives, its strategic plan and against its budget in the longer term.</p>	<p>Review of papers presented to the IJB Board on medium term financial planning.</p> <p>Monitor progress in developing medium term financial plans.</p>	<p>Results: Regular finance reports have been provided to the IJB however medium and longer-term financial plans have yet to be updated to reflect the impact of Covid-19 and prepare for the future. Updates beyond 2022/23 are qualitative rather than quantitative in content.</p> <p>As part of Internal Audit's 2021/22 Plan they reviewed the adequacy and effectiveness of the arrangements in place for budget monitoring within the East Lothian IJB. This was presented to the ARC in June 2022 and graded as reasonable assurance. All findings have been agreed with the CFO including a new five-year financial plan to be in place by December 2022.</p> <p>We reviewed the Internal Audit report and have included their overall conclusion and key recommendations in paragraph 37 below.</p> <p>Conclusion: In progress</p> <p>The IJB has received indicative budget allocations from East Lothian Council and NHS Lothian up to and including 2023/24 and</p>

Audit risk	Assurance procedure	Results and conclusions
		2025/26 respectively. These should be used to inform the IJB's medium to longer term financial plans. As part of this work, the IJB should develop exit strategies for Covid-19 generated costs because funds will not likely be available from 23/24 and beyond.

Source: 2021/22 Annual Audit Plan

Medium and longer-term financial plans have yet to be updated to reflect the impact of Covid 19 and prepare for the future

37. Internal Audit's 2021/22 report on the adequacy and effectiveness of the arrangements in place for budget monitoring within East Lothian IJB concluded:

The East Lothian Integration Joint Board has a sound system of internal controls in place for budget monitoring, adequate arrangements are in place for monitoring budgets on a regular basis and the annual budget is correctly built up from the indicative budget offers from both partners. However the audit has identified some improvements that require to be implemented, including preparing a new five year financial plan, a review of the approach adopted for reporting financial out-turns for both partners to the East Lothian Integration Joint Board and the lack of a clear directive for allocating surplus funds to specific strategic objectives.

38. The following key findings and recommendations are highlighted, which have all been agreed by the Chief Finance Officer and include implementation dates:

- The East Lothian Integration Joint Board had not prepared a multi-year financial plan based on the final budget offers from the financial partners, laying out how it will resource the delivery of its strategic plan. Management have agreed to prepare a new five year financial plan by December 2022.
- The arrangements currently in place for reporting projected financial out-turns to the East Lothian Integration Joint Board require review to ensure that a breakdown of the annual budgets and forecasted expenditure are provided for both partners. Management have agreed to review the approach adopted by September 2022.
- The East Lothian Integration Joint Board had a projected underspend for financial year 2021/22, however there was a lack of a clear directive for allocating surplus funds to specific strategic objectives. Management have agreed to create a new Direction for allocating the surplus by December 2022.

39. We observed that senior management and members receive regular information on the IJB's in-year financial position but note the recommendations made by Internal Audit and have not repeated them here. Our 2021/22 recommendation remains 'in progress' and has been included in the action plan at [Appendix 1](#) (follow up of prior year recommendations).

Financial systems of internal control operated effectively

40. The IJB does not have its own financial systems and instead relies on partner bodies' (NHS Lothian and East Lothian Council) financial systems.

41. As part of our audit approach, we sought assurances from the external auditors of NHS Lothian and East Lothian Council and confirmed there were no weaknesses in the systems of internal controls for either the health board or the council which would have had an impact on the IJB and our audit approach.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

42. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at East Lothian Council and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest are publicly available on the IJB's website

43. Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

4. Governance, transparency and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The governance arrangements are appropriate and operate effectively. There is effective scrutiny, challenge and informed decision making.

Arrangements are in place to secure best value.

Governance arrangements are appropriate and operate effectively

44. We reported in our 2020/21 annual audit report on the revised governance arrangements introduced by the IJB including:

- Home working for the majority of staff
- Holding Audit and Risk Committee meetings on Microsoft Teams
- Effective scrutiny, challenge and decision making.

45. We have confirmed that these arrangements have been maintained in 2021/22 and remain appropriate. We consider that the IJB's governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

Performance reporting was of a good standard

46. Management commentary included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

47. Following our review of the management commentary in the unaudited accounts, we provided feedback to the CFO regarding the commentary on the IJB's financial position at 31 March 2022. It could be improved by including more information similar to that which was included in the June 2022 Finance Update submitted to the IJB Board. The Finance Update was of a good standard and included explanation of the financial outturn for the year

including the underlying financial position, reserve movements and Covid-19 funding and reserve details. The CFO has accepted this observation and will incorporate equivalent information for 2022/23. Other areas raised and discussed as part of the audit process were addressed by the CFO in the final version of the annual accounts.

Changes in senior officers

48. There was a change in senior officers in year: the Chief Officer, Alison MacDonald, left the post in June 2022 and a new Chief Officer, Fiona Wilson, was appointed in April 2022. This is a significant change in senior management since the IJB was established. The incoming Chief Officer was the previously the Head of Health at West Lothian Health and Social Care Partnership. The CFO also returned from maternity leave in May 2022.

Arrangements are in place to secure Best Value

49. Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

50. The IJB has demonstrated its commitment to best value in the use of their resources by having an approved Strategy, Workforce and Financial Plan. The current Strategic Plan runs to March 2022. A decision was taken in June 2021 by the IJB to extend the 2019-2022 Strategic Plan by six months to September 2022 due to increased COVID-19 related demand on officers. It was also agreed by the IJB that the extra time would allow incorporation of any early Scottish Government guidance and policy arising from the recommendations of the Independent Review of Adult Social Care and the development of a National Care Service.

51. Next steps involve consultation with officers to inform the development of priorities and a consultation and engagement programme to seek community and other views on the draft Strategic Plan. Regular updates have and will continue to be provided to the IJB. A final Strategic Plan is due for approval in September 2022.

Revisions to the Integration Scheme are underway

52. Integration Schemes require to be updated every five years. The current East Lothian IJB Integration Scheme 2019-2022 was last reviewed and approved by the Scottish Government in July 2019 and is publicly available on the East Lothian Council website.

53. A planned review of all Integration Schemes for the Lothians was due in 2020 (including East Lothian). This was delayed by changed service priorities arising from the Covid-19 pandemic. Work on a revised Scheme recommenced during 2021. The review between NHS Lothian and East Lothian Council is being led by the NHS Lothian Strategic Planning Department. A consultation went out and closed at the end of March 2022. The

revised Scheme has been agreed by the partners in June 2022 and is now with the Scottish Government for approval.

Annual Performance Report

54. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

55. We have previously reported and recommended that the Annual Performance Report be prepared and presented to the IJB in a more timely fashion. The 2021/22 Report is due to be presented to the IJB at its September 2022 meeting. Our 2021/22 recommendation remains 'outstanding' and has been included in the action plan in [Appendix 1](#) (follow up of prior year recommendations).

56. From our review of the IJB's 2020/21 Annual Performance Report and accompanying Summary Report (published November 2022) we noted that the IJB responded well to the challenges and implemented new ways of working in response to the pandemic. Success factors for the IJB included:

- Use of online and telephone appointments to deliver services. This helped overcome some of the impacts of East Lothian's geography and dispersed communities especially during lockdown periods.
- An expanded and increased range of services at the East Lothian Community Hospital. This helped deliver one of the IJB's key ambitions of providing health services as close to home as possible for residents of East Lothian. The hospital also acted as a PPE hub for organisations and individuals; a Covid-19 test supply centre and was the East Lothian Covid-19 Vaccination Centre.
- Expansion of the Care When It Counts service from one GP practice to four, resulting in the service now being available to 47% of the East Lothian population.

57. Overall East Lothian's performance in 2020/21 was in line with the Scottish average. One indicator where the IJB performed significantly better than the national average was the additional days people aged 75+ spend in hospital when they are ready to be discharged per 1,000 population - 262 days compared to the national average of 488 days. As a result the East Lothian IJB was the fourth best performing in Scotland for delayed discharges

58. The IJB's 2020/21 Annual Performance Report Summary comprehensively summarises the key achievements of the full report. The Summary is easy to understand and includes staff and end-user, real-life examples of the impact the IJB has had.

National performance audit reports

59. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 2](#).

60. The most recent and relevant national report published in June 2022 - [Integration Joint Boards: Financial analysis 2020/21](#) - will be of interest to the IJB. A brief summary of the report's main findings is below:

Funding to Integration Joint Boards increases, but significant risks and challenges ahead

Funding of Integration Joint Boards (IJBs) in 2020/21 increased by nearly 10 per cent in real terms, bringing total funding to £10.6 billion. This was mainly due to one-off Scottish Government funding to mitigate the impacts of Covid-19.

Reserves also tripled, reflecting unspent Covid-19 funding and the late allocation of specific funding for primary care, community, mental health and alcohol and drug support.

All Scotland's IJBs, however, face significant financial sustainability issues: uncertainty of future funding, rising demand and the potential impacts of a national care service. This means:

- across all 30 IJBs there remains a significant overall budget gap - this was £151 million in 2021/22, with some IJBs facing significant financial challenges
 - making recurring savings and delivering services differently is essential to addressing future budget gaps
 - 81 per cent of money held in reserves is ringfenced, creating a lack of flexibility in how IJBs can use this money
 - [Securing longer-term financial planning – only five IJBs have long-term financial plans](#)
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61. From attendance at the Board and Audit and Risk Committee meetings, we note that the IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions.

Appendix 1. Action plan 2021/22

2021/22 recommendations

62. There are no new recommendation for 2021/22 however we have carried forward two recommendations from the prior year:

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Medium term financial plan update</p> <p>The medium-term (five year) financial plan covering the period 2021/22 – 2024/25 was prepared under a ‘business as usual,’ pre Covid-19 scenario. The plan is due to be refined and updated once there is further clarity on future service provision.</p> <p>Risk – There is a risk that the IJB will not be able to deliver against its objectives, its strategic plan and deliver financial balance against its budget in the longer term.</p>	<p>The existing medium-term financial plan must be revised to take account of the impact, new challenges, and ways of working as a result of Covid-19.</p>	<p>In Progress</p> <p>Revised action: The IJB financial plan is currently being produced as we now have more clarity regarding covid exit funding. This will be presented to the IJB before Dec 2022. Q1 report will have forecast and 5 year plan (from 22/23).</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed revised date: December 2022</p> <p>Original implementation date: March 2022.</p>
<p>5. Performance information provided to the IJB</p> <p>It is noted that ELIJB are taking advantage of the nationally agreed delay in producing the annual performance report.</p> <p>Risk – There is a risk that the performance information for ELIJB is not reported to the</p>	<p>Ensure the annual performance report is prepared and presented to the IJB in a timely fashion to allow the members of the IJB to be aware of how it is performing as a whole</p>	<p>Outstanding</p> <p>Revised action: The draft 2021/22 Annual Performance Report is due to be submitted for approval at the IJB Board meeting in September 2022.</p> <p>Responsible officer: Chief Finance Officer</p>

Issue/risk	Recommendation	Agreed management action/timing
Board on a regular basis with the Board members not being able to see the whole picture of how the IJB is performing.		Agreed revised date: September 2022 Original implementation date: August 2022

Appendix 2: Summary of 2021/22 national performance reports

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

East Lothian Integration Joint Board

2021/22 Annual Audit Report

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