



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 14 December 2023

BY: Interim Chief Finance Officer

SUBJECT: IJB's Audited Annual Accounts for 2022/23

1 PURPOSE

1.1 This report presents the IJB's annual accounts for 2022/23.

2 RECOMMENDATIONS

2.1 The IJB is asked to:

- i. Note the IJB's Audited Annual Accounts for 2022/23.
- ii. Note the External Auditor Annual Report for East Lothian IJB for 2022/23.
- iii. Note the recommendation of the IJB's Audit and Risk Committee
- iv. Approve the IJB's Annual Accounts for 2022/23 for publication.

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 5th December 2023. There were no issues arising from the auditors' report and the Committee recommended to the IJB that the accounts be approved.

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 will be signed electronically, having been approved by the IJB.

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.

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	December 2023

Appendix 1 - East Lothian IJB Audited Annual Accounts for 2022/23

Appendix 2 - External Auditor Annual Report for East Lothian IJB for 2022/23.



East Lothian Integration Joint Board

Audited Annual Accounts 2022/23

CONTENTS

• Management Commentary	3
• Statement of Responsibilities.....	18
• Remuneration Report	20
• Annual Governance Statement.....	23
• Independent Auditor’s Report	28
• Movement in Reserves Statement.....	34
• Balance Sheet	35
• Notes to the Financial Statements	36
1. Significant Accounting Policies	36
2. Events After the Reporting Period	38
3. Short Term Debtors	38
4. Reserves.....	38
5. Taxation and Non-Specific Grant Income	39
6. Corporate Service	39
7. Related Party Transactions.....	39
8. VAT.....	40

Management Commentary

Introduction

The management commentary considers the work that the IJB has undertaken during the financial year 2022/23 and then describes the financial performance for the financial year ended 31 March 2023. 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).

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 2022 to 31 March 2023 is John Boyd, Audit Director, Audit Scotland, 4th Floor, 8 Nelson Mandela Place, Glasgow G2 1BT.

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.

Review of the IJB's Integration Scheme

During 2021 East Lothian Council and NHS Lothian Council drafted a new scheme which has been out for consultation and approved by both Council and the Health Board. The scheme was approved by Scottish Ministers in May 2023.

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 third Strategic Plan on 15 September 2022, this covers 2022 to 2025. A link to the plan is below:

[Link: Strategic Plan](#)

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 seven change boards reflecting on the IJB's strategic priority areas for change.

These focus on: primary care, adults with complex needs, mental health and substance use, shifting care from acute hospitals to the community, support to carers, community hospitals and care homes and care at home.

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 2022/23. The membership of the IJB as at March 2023 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)
Fiona Wilson	Appointed by IJB	Chief Officer (non-voting member)
Claire Flanagan	Appointed by IJB	Chief Finance Officer (non-voting member)
Fiona Ireland	Nominated by NHS Lothian	Voting Member, Chair of Audit & Risk Committee
Elizabeth Gordon	Nominated by NHS Lothian	Voting Member
Val de Souza	Nominated by NHS Lothian	Voting Member
Councillor Carol McFarlane	Nominated by East Lothian Council	Voting Member
Councillor Lyn Jardine	Nominated by East Lothian Council	Voting Member
Councillor Lachlan Bruce	Nominated by East Lothian Council	Voting Member
Vacant	Appointed by IJB	Independent sector representative (non-voting member)
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)
Dr Claire Mackintosh	Nominated by NHS Lothian	Medical Consultant (non-voting member)
Vacant	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)
Dr John Hardman (replacing Dr John Turvil)	Nominated by NHS Lothian	Acting Clinical Director (non-voting member)

Member	Nominated/Appointed by	Role
Iain Gorman	Appointed by IJB	Head of Operations (non-voting member)
Lorraine Cowan	Nominated by IJB	Chief Nurse (non-voting member)
Dr Wendy Hale	Appointed by the IJB	Specialist in Substance Abuse (non-voting member)
Dr Philip Conalglan	Appointed by IJB	Public Health (non-voting member)

The IJB’s Operations for the Year

The IJB categorises its budgets into three broad areas which reflect the funding models of the partners and the financial reporting to the IJB from the partners.

Core Services

These are the local health and social care services within East Lothian and they are delivered by the Health and Social Care Partnership (HSCP) which is a joint arrangement between East Lothian Council and NHS Lothian. The HSCP provides these local core services.

Hosted Services

These being delegated functions that are delivered 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 provided by NHS Lothian managed by its Acute Division.

Performance

The IJB delivers its Strategic Plan through its directions to its partners and monitors the performance against these directions through the Strategic Planning Group and reports to the IJB. The IJB produces an annual performance report (as required by the Scottish Government) which lays out its ambitions, achievements, and a range of performance indicators.

The IJB Strategic Objectives for 2022-25 (and examples of work carried out) are as follows –

Strategic Objective 1 – Develop services that are sustainable and proportionate to need

During 2022/23 the IJB:

- Carried out an extensive ‘Planning for an Ageing Population’ exercise.
- Continued to invest in and develop Intermediate Care Services in East Lothian. Examples of Intermediate Care Services in East Lothian include:

▪ Hospital to Home	▪ Care at Home	▪ Community Respiratory Pathway
▪ Hospital at Home	▪ Falls Services	▪ Musculoskeletal Physiotherapy
▪ Discharge to Assess	▪ Emergency Care Service	▪
- Increased the number of Care at Home hours provided directly by over 1,000 additional hours a week.
- Continued to develop the Integrated Care Allocation Team (ICAT).
- Set up a ‘Daily Flow Huddle’ to reduce delays for people leaving hospital. The introduction of the Daily Flow Huddle helped to reduce delayed discharge from a high of 39 days in July 2022 to an average of 5 days by the end of the year.
- Delivered an Inreach pilot project involving East Lothian AHPs¹. The Inreach project aimed to both prevent admission and reduce the length of hospital stay. The Inreach Pilot contributed to a reduction in Length of Stay from 16 days to 5 days for patients seen by the team and helped reduce admissions from 51.3% to 48.8%. 1,320 bed days were saved over the lifetime of the Pilot.
- Developed and delivered an Action Plan to reduce the number of East Lothian inpatient mental health bed days. Delivery of the Action Plan led to fewer admissions and reduced the average Length of Stay from a high of 20 days (July 2022) to 9 days (December 2022).

Also

- The emergency admission rate for East Lothian adults fell from 10,428 to 9,358 (per 100,000), the lowest rate in 6 years.
- Emergency bed day rates fell from 115,048 in 2021/22 to 114,891 in 2022/23.
- The number of days people aged 75+ spent in hospital when they were ready to be discharged was 206 (per 1,000 population). This compared favourably to the Scottish rate of 919 per 1,000 population).

Strategic Objective 2 – Deliver new models of community provision, working collaboratively with communities

During 2022/23 the IJB:

- Continued to make significant progress in delivering the Community Transformation Programme.
- The Resource Coordinator Team continued to grow, supporting more people with learning disabilities to access community-based activities, and expanding to cover Dunbar and North Berwick areas.
- Development of Neighbourhood Networks saw the introduction of a new network in Dunbar and a network based in Musselburgh for young people moving to adult services.
- The East Lothian Community First Service was launched to provide support to people struggling with their health and wellbeing, helping them to access community services. Over 170 people benefited from the Community First service from October 2022 to March 2023. Support is provided by a combination of staff and volunteers - eighteen volunteers were involved in the first 6 months of the service, providing around 360 hours of support.
- East Lothian's first Meeting Centre opened in Musselburgh, providing innovative, peer and carer led, community-based support for people with mild to moderate dementia and their families and friends.
- A new employability support service was introduced to support people with complex mental health needs into employment.
- The IJB developed a new Participation and Engagement Strategy.

Strategic Objective 3 – Focus on prevention and early intervention

- East Lothian Rehabilitation Service (ELRS) continued to develop the range of services it delivers across East Lothian.
- The Smart TEC (Technology Enabled Care) service made use of technology to enable people to remain as active, independent, and safe as possible in their own homes and in the wider community.
- A new East Lothian Exercise Pathway has been developed to engage people in physical activity, and to maintain this participation over the longer-term.
- The use of the ELRS Single Point of Contact (SPOC) phonenumber grew over the year. Almost 41,500 calls have been handled since the phonenumber was launched in June 2021.

- A new digital platform, ‘Access to a Better Life in East Lothian’ was launched in March 2022, providing information and tools to support people to manage their own health and wellbeing.
- Improving the prevention and management of falls is a strategic delivery priority for the IJB. A new East Lothian Falls Service and a Falls Project Manager post were introduced during 2022/23, leading to the development of a new, integrated Falls Pathway. There were over 1,000 referrals to the new Falls Service from October 2022 to March 2023.
- Our CWIC (Care When it Counts) Mental Health service provides easily accessible support for people with a range of mental health issues
CWIC MH delivered over 6,000 appointments during 2022/23.
- Work to develop a new Distress Brief Intervention (DBI) service took place during 2022/23.
- The MELD (Midlothian and East Lothian Drugs) Contact Service provides information and advice regarding substance use, and support with accessing Substance Use Services.

Strategic Objective 4 – Enable people to have more choice and control and provide care closer to home

- The IJB continued to develop the primary care services delivered directly by East Lothian HSCP, these include:
 - Primary Care Vaccination Team.
 - Community Treatment and Care (CTAC) service.
 - Pharmacotherapy Service.
 - Care When It Counts (CWIC) service.
 - Musculoskeletal (MKS) direct access service.
 - Link Worker Service.
- The IJB increased the number of weekly appointments offered by our Care When it Counts (CWIC) service.
- The IJB ensured that the Pharmacotherapy Team supports all 15 East Lothian GP practices.
- The IJB directed the continued growth of the outpatient services and clinics offered at East Lothian Community Hospital (ELCH). The number of outpatients seen at ELCH has grown from around 30,000 in the last years of Roodlands Hospital to just over 55,000 in 2022/23 (a 60% increase).
- The Endoscopy and Day Service Unit continued to develop teaching and training at the hospital’s state-of-the-art facilities and lecture theatre.

- The IJB directed new operating model within Adult Social Work (introduced in 2021) continued to reduce the time people waited for a social work assessment. The new model is designed so that as many cases as possible being dealt with by our Duty system at the ‘first point of contact’, rather than people being added to a waiting list. By the end of 2022/23, this approach had reduced the waiting list for assessment to zero.
- Engagement took place in relation to the development of two new strategies – the East Lothian Dementia Strategy and the East Lothian Carers Strategy.
- The Hardgate short breaks service increased the number of places available, with 9 people able to benefit from the service by the end of the year.
- The IJB continued to develop our approach to providing palliative and end-of-life care.

Strategic Objective 5 – Develop and embed integrated approaches and services

- The enhanced Learning Disability (LD) service continued to deliver better outcomes for local people. The enhanced service brings together Learning Disability Social Work and other HSCP teams have been brought together to enable an integrated, multidisciplinary approach to support more complex and high risk learning disability patients, especially those with significant health needs or mental health issues.
- The IJB identified reviewing patient pathways as one of our delivery priorities under Strategic Objective 5. The term ‘patient pathways’ refers to the journey from a person’s initial contact with a service, through to their subsequent interaction with the service and related services, through to discharge if / when appropriate.
- Development of a dedicated multidisciplinary Neurodevelopmental Pathway and clinics. An ADHD (Attention Deficit Hyperactivity Disorder) Patient Pathway has been introduced as the first phase of this work, with a dedicated Consultant having been recruited to support this.
- The IJB continued to develop a strong, collaborative approach to supporting young people as they move from child to adult services.

Strategic Objective 6 – Keep people safe from harm

- The IJB directed the Adult Support and Protection (ASP) Service to continue to work with partners to keep adults in East Lothian safe from harm. There was an increase in activity for the service over the year.
- The IJB supported progress in the implementation of MAT (Medically Assisted Treatment) Standards in East Lothian.

Strategic Objective 7 – Address health Inequalities

- A Strategic Needs assessment was completed during 2022-23. This will inform the development of the Strategic Plan.
- During 2022/23 we developed an Integrated Impact Assessments (IIAs) improvement plan. IIAs are carried out by public bodies to determine whether proposals are likely to have an unfair or negative impact on particular groups in the community.

The core components and key developments for 2022/23 are summarised above and further detail is included in the Annual Performance Report. The Annual Performance Report includes key performance indicators and comparators and is published at the following link [East Lothian IJB Annual Performance Report 2022 to 2023](#).

The IJB’s Position at 31 March 2023

For the year ending 31 March 2023, the IJB recorded a deficit of £10,167,000. The costs incurred in delivering the IJB’s functions, by East Lothian Council and NHS Lothian, were more than the income that the IJB received from NHS Lothian and East Lothian Council. However, the IJB has reserves it had built up in 2021/22 specifically for the purpose of underpinning expenditure in 2022/23 and it has used these reserves to support this in-year deficit.

	Income £000’s	Expenditure £000’s	Variance £000’s
East Lothian IJB	£204,552	£214,719	(£10,167)

- The IJB generated a surplus in 2021/22. The surplus was the result of funding being allocated by the Scottish Government during 2021/22 for use in 2022/23. A significant proportion of this equated to the Covid funding allocation. Therefore, the deficit is a result of the IJB incurring expenditure against its earmarked reserve.
- The IJB’s financial performance against its “in year” delegated budgets resulted in a surplus of £282,000 within Social Care.
- The health budgets of the IJB generated an overspend of £31,000 and as a result non-recurring financial support was provided by NHS Lothian to ensure a balanced financial position.

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.

COVID-19

During the pandemic, East Lothian, in line with Scottish Government guidance, stepped up a range of services to support the continued system wide response to Covid.

The cost projections associated with these services, through the Scottish Government Local Mobilisation Plan (LMP), were reported to the IJB. During the 2020/21 to 2022/23 financial years the associated costs were funded by designated Covid funding. The COVID related expenditure for the HSCP during 2022/23 was £5,549,000, the COVID reserve was entirely utilised by 31 March 2023; with the balance of earmarked funding £3,633,000 being reclaimed by Scottish Government.

The Scottish Government confirmed the funding would not be available in the 2023/24 financial year. In response, a Covid decommissioning assessment and reprioritisation of funding exercise was undertaken. The result of this exercise has allowed funding streams to be assessed and reprioritised to ensure both clinical and financial sustainability of these services.

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 2023 is £10,122,000. This is made up of £5,092,000 for earmarked reserves and £5,030,000 of uncommitted reserves.

	Opening £000's	In Year £000's	Closing £000's
Covid	9,182	(9,182)	0
Other Earmarked	6,297	(1,205)	5,092
Uncommitted	4,810	220	5,030
	20,289	(10,167)	10,122

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 4 in the statements.

Analysis of the Financial Statements

The financial statements are all presented on a net basis and the table below summarises the income and expenditure for the IJB for 2022/23. The health and social care budgets in the table are the funding contributions received as income by the IJB, as shown in the Comprehensive Income and Expenditure Statement. The table shows the services delegated and that the IJB used £10,449,000 of earmarked reserves to fund health services during the year and added £282,000 to reserves due to an underspend on social care services.

	Budget Health £000's	Budget Social Care £000's	Expenditure Health £000's	Expenditure Social Care £000's	Variance £000's
Direct East Lothian Services					
Community AHPS	6,176		5,868		308
Community Hospitals	14,560		14,048		512
District Nursing	3,127		2,964		163
General Medical Services	19,229		19,578		-349
Health Visiting	2,207		2,106		101
Mental Health	6,160		6,302		-142
Other	1,415		58		1,357
Prescribing	21,279		22,342		-1,063
Resource Transfer ⁽¹⁾	4,969		4,969		0
Older People		34,008		33,693	315
Mental Health		2,226		2,549	-323
Physical Disabilities		2,755		2,894	-139
Learning Disabilities		17,923		18,756	-833
Planning and Performance		3,159		3,140	19
Other		7,789		6,828	961
Share of Pan Lothian					
Set Aside ⁽²⁾	24,764		25,960		-1,196
Mental Health	2,871		3,122		-251
Learning Disabilities	1,606		1,624		-18
Rehabilitation	1,137		940		197
Sexual Health	911		928		-17
GP OOH	1,593		1,676		-83
Psychology	1,580		1,584		-4
Substance Misuse	592		567		25
Allied Health Professions	1,888		1,765		123
Oral Health	1,626		1,565		61
Other	4,665		4,420		245
Pharmacy ⁽³⁾	4,596		4,596		0
Ophthalmology ⁽³⁾	2,093		2,093		0
Dental ⁽³⁾	7,617		7,617		0
Non Recurring NHSL support	31		0		31
SCF ⁽⁴⁾	6,216	-6,216	6,216	-6,216	0
Transfer In/Out of Reserves			10,449	-282	-10,167
Per Accounts	142,908	61,644	153,357	61,362	-10,167

Budget & 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 2022/23 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 2023/24 Financial Position

The IJB faced challenges balancing its budget for 2023/24.

In March 2023 the IJB considered the budget offer from East Lothian Council. Given the offer was not in line with the parameters set by Scottish Government, the IJB voted to not accept this budget offer from the Council. At the IJB in May 2023, there was no change in the budget offer from East Lothian Council, therefore the IJB noted the further financial recovery action required to balance the budget for 2023/24 and mitigate the reduction in the East Lothian Council offer.

Consultation on the National Care Service

The Scottish Government continued their consultation on the proposal to set up a National Care Service. The consultation process aimed to support the development of the Bill and under the current proposals IJBs will be reformed into local care boards, accountable to Scottish Ministers. In March 2023, MSPs voted to formally postpone the Bill to establish the National Care Service for Scotland until the end of June 2023.

Key risks, challenges, and uncertainties

The three main pressures faced by East Lothian are:

- The growing demand for services, both locally and in Acute sites, driven by population growth and the changing needs of the population.
- the lack of available workforce; and
- the challenging financial landscape.

Health and Social Care will regularly update the IJB with detailed transformations plans on reshaping services to meet the needs of the population. The challenge for the IJB is to transform the delivery of its delegated functions to ensure both clinical and financial sustainability.

A growing and ageing population

East Lothian's population is one of the fast growing in Scotland, this was evidenced by the population estimates released by the National Records of Scotland (NRS). The published findings projected that between 2018 and 2028, the population of East Lothian is to increase from 105,790 to 113,403. This is an increase of 7.2%, which compares to a projected increase of 1.8% for Scotland as a whole. This projection compounds the previous growth between 2001 and 2021, in this period the population of East Lothian increased by 21.5%. This was the highest percentage change out of the 32 council areas in Scotland. Over the same period, Scotland's population rose by 8.2%.

The average age of the population of East Lothian is projected to increase. The 75 and over age group is projected to see the largest percentage increase (+32.6%). As people live longer many more people will be living at home with frailty and/or dementia and/or multiple health conditions. This will pose challenges for all our

health and social care services whilst also changing the face of some of the local communities.

Source Information - [Link to NRS](#)

Workforce pressures

Both the NHS and the Local Authority are experiencing a shortage of care professionals. The pressure spans over various disciplines, including medical staff, nurses, allied health professionals, social workers, and carers. The demand for services often exceeds the available workforce, leading to increased workloads and potential strains on the system.

Addressing these challenges requires a multifaceted approach, including robust workforce planning, recruitment, and retention strategies. In response, East Lothian is piloting new approaches and has used promotional videos and held recruitment days to provide a better understanding of services and promote working in East Lothian.

Acute hospitals

The Acute hospitals that support the population of East Lothian (The Royal Infirmary of Edinburgh and the Western General Hospital) remain under significant demand pressures as do other social care and health services, in a financially challenging environment. The IJB will continue to support community-based alternatives that will minimise avoidable admissions and facilitate discharges to help improve system flow.

The challenging financial landscape

The Scottish Government, in setting its budget, highlighted that there is significant financial challenge ahead with limited resources available. The challenge impacts across the whole of the Public Sector and the IJB understands the pressures faced by NHS Lothian and East Lothian Council with increasing costs and constrained funding. The IJB must ensure its own financial sustainability, reported through the IJB's medium term financial plan. The plan shows significant financial gaps therefore a focus will need to be put on financial recovery to ensure the sustainability of services – tough decisions, service redesign and transformation will be critical.

Shamin Akhtar
Chair

Fiona Wilson
Chief Officer

David King
Interim Chief Finance Officer

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 Integration Joint Board on 14th December 2023.

Signed on behalf of East Lothian Integration Joint Board.

Shamin Akhtar
Chair

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 31 March 2023.

David King
Interim Chief Finance Officer

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 and with the auditor's knowledge and is otherwise not misleading.

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 2022/23.

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 2022/23. This remuneration is £9,030 per annum.

East Lothian Council does not remunerate the Chair or Vice Chair roles of East Lothian IJB. Councillor Shamin Akhtar did not receive remuneration for her IJB role.

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 was replaced by Fiona Wilson from July 2022. Fiona 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 2022/23 the Chief Finance Officer was Claire Flanagan. 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.

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 2021/22 £	Senior Employees Salary, Fees & Allowances	Total for 2022/23 £
53,692	Alison MacDonald, Chief Officer (to 19/06/22)	13,531
n/a	Fiona Wilson, Chief Officer (from 27/06/22)	38,887
9,644	Claire Flanagan, Chief Finance Officer	25,694
14,047	David King, Interim Chief Finance Officer (to 31/05/2022)	3,205

Note 1: Alison MacDonald full year equivalent £61,658

Note 2: Fiona Wilson full year equivalent £49,320

Note 3: David King was Interim Chief Finance Officer until Claire Flanagan returned from maternity leave.

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.

	Employer Pension Contributions For year to			Accrued Pension Benefits at	
	31/03/2022 £k	31/03/2023 £k		31/03/2022 £k	31/03/2023 £k
Alison MacDonald	22	24	Pension	17	20
			Lump Sum	13	8
Claire Flanagan	17	18	Pension	18	21
			Lump Sum	27	29
Fiona Wilson	<i>n/a</i>	20	Pension	<i>n/a</i>	31
			Lump Sum	<i>n/a</i>	86

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 2022/23 or 2021/22.

Shamin Akhtar
Chair

Fiona Wilson
Chief Officer

Annual Governance Statement

Purpose

The annual governance statement lays out how East Lothian Integration Joint Board (the ELIJB) complies with the Local 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;
- Having a clear vision, which is an agreed formal statement of the ELIJB’s purpose and intended outcomes which provide the basis for the ELIJB’s overall strategy, planning and other decisions, the ELIJB Strategic Plan was agreed by the ELIJB in September 2022 to run from October 2022 to March 2025;
- 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 2022-2025 was endorsed for publication by the ELIJB in February 2023;
- Evaluating and monitoring risk management and internal control on a regular basis, with ELIJB risk register being monitored at every 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. These assurance arrangements comply with the CIPFA Statement on the role of the Head of Internal Audit

- 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.
- 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. This was further approved by the ELIJB in December 2022 with a report demonstrating that ELIJB meets all of the requirements of the code as considered applicable to ELIJB. 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 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 statutory 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. The Audit and Risk Committee complies in all material respects with the CIPFA Position Statement Audit Committees Practical Guidance for Local Authorities as discussed at the September 2022 ELIJB Audit & Risk Committee, however a further review of members knowledge and experience and the potential for further independent members is being undertaken during 2023/24;
- 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 2022/23 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. Meetings have continued to be held remotely throughout the year;
- Annual Performance Report – ELIJB produces an Annual Performance Report, with the last report being published covering the year 2022/23. In line with Scottish Government guidance, the report included details of performance in relation to the Core Integration Indicators and additional Ministerial Steering Group indicators and financial performance;
- Officers - the Board continues to appoint a Chief Officer and a Chief Finance Officer as required by the legislation. A Chief Internal Auditor is also appointed to carry out the Board's internal audit requirements and assist its Audit and Risk Committee;
- Finance - financial control processes continued as normal during the 2022/23 financial year with the Board receiving regular Financial Update reports, a Medium Term Financial plan was approved by ELIJB in December 2022, however assumptions may need to be reconsidered as result of the budget setting process for 2023/24
- Budget Setting 2023/24 – ELIJB Agreed as part of the Finance Update in March 2023 not to accept the IJB budget offer from East Lothian Council, as it is not in line with the parameters set by Scottish Government. In May 2023 the ELIJB agreed to accept the IJB budget offer from NHS Lothian and note the further financial recovery action required to mitigate the £0.25million financial gap for ELIJB for 2023/24. Work is ongoing in delivering recovery action to create a balanced budget for the current financial year.
- Code of Conduct - the Board adopted a Code of Conduct based on the existing Model Code for Members of Devolved Public Bodies in Scotland which came into effect on 7th December 2021, and members have registered their interests according to that Code. The revised Code of Conduct was approved for adoption by the ELIJB in June 2022.
- ELIJB has assurances from both East Lothian Council and NHS Lothian that both partner organisations have arrangements in place in relation to counter fraud and anti corruption that are in accordance with the CIPFA code of practice on Managing the Risk of Fraud and Corruption.

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 2022/23 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 2023, but noted areas for further development. These improvements are reflected below.

Action Plan

During 2022/23, areas identified with scope for improvement included the following:

- Recruitment to the Strategic Planning Group to ensure that all statutory groups are represented and regular attendance from all group members are to be encouraged to ensure appropriate representation from across the community has been completed where possible by September 2023 and attendance will continue to be monitored.
- The IJB had a requirement to develop a medium term Financial Plan which has now been completed for 2022/23 to 2026/27, and approved in December 2022. The plan however noted the future work required to refine this financial plan and the requirement for significant recovery actions to bring the plan back into balance. Regular financial reporting has then been provided to the IJB at every meeting. The March 2023 Budget Offer from Partners Paper outlined that *“with a £6.1m projected overspend next year and £5.9m of financial recovery plans there remains a £0.250m financial gap that the IJB requires to decide how this is mitigated.”* And *“within the financial recovery assumptions above, even after the identification of financial recovery plans there was still a financial gap within prescribing and set aside services.”* A recovery action on the remaining £0.250m was identified for noting to the IJB in May 2023. The current challenges highlight that further and ongoing work to continue to refine the financial plan will be required moving forwards to demonstrate appropriate provision of resources to implement the ELIJB strategic plan.
- In developing the IJB workforce plan 2022-25 a comprehensive skills gap analysis has not yet been completed, therefore the Board cannot yet determine the upcoming workforce demands and develop the appropriate recruitment and training strategies to address current and future skills gaps within the workforce, this was planned to be completed by August 2023, however this remains ongoing with an expectation of completion by December 2023.

The implementation of these actions to enhance the governance arrangements in 2023/24 will be driven and monitored by the ELIJB Chief Officer in order to inform the next annual review. Internal Audit work planned in 2023/24 is designed to test improvements and compliance in governance and implementation of agreed recommendations. Progress has been made against all actions noted in the 2021/22 annual governance statement and monitoring to completion is undertaken by Internal Audit, with specific details as follows:

- The ELIJB Risk Management Policy and Strategy was reviewed updated and then approved by the ELIJB Audit & Risk Committee in December 2022.
- Financial Reporting to EIJB returned to a consistent basis in reporting projected financial outturns in September 2022 this had 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 were reintroduced in September 2022 following recovery process from the COVID-19 pandemic.

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 2023.

Shamin Akhtar
Chair

Fiona Wilson
Chief Officer

Independent Auditor’s Report

Independent auditor’s report to the members of 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 East Lothian Integration Joint Board for the year ended 31 March 2023 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 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2023 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 2022/23 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 by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body 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 body. 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 body'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 body's current or future financial sustainability. However, I report on the body'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 Interim Chief Finance Officer and Audit and Risk Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Interim 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 Interim 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 Interim Chief Finance Officer is responsible for assessing the body'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 body'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:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Interim Chief Finance Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Interim Chief Finance Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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 body'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 parts of the Remuneration Report

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

Other information

The Interim Chief Finance Officer is responsible for the 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 108 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.

John Boyd CPFA
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

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.

Gross Expenditure 2021/22 £000's	Income 2021/22 £000's	Net Expenditure 2021/22 £000's		Gross Expenditure 2022/23 £000's	Income 2022/23 £000's	Net Expenditure 2022/23 £000's
146,427		146,427	NHS Lothian	153,357		153,357
52,823		52,823	East Lothian Council	61,362		61,362
199,250	0	199,250	Cost Of Services	214,719	0	214,719
	(209,931)	(209,931)	Taxation & Non-Specific Grant Income		(204,552)	(204,552)
199,250	(209,931)	(10,681)	(Surplus)/Deficit on Provision of Services	214,719	(204,552)	10,167
			(10,681)	Total Comprehensive (Income) and Expenditure		10,167

Movement in Reserves Statement

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

Movement in Reserves 2022/23	General Fund £000's	Total Usable Reserves £000's
Opening Balance as at 1 April 2022	(20,289)	(20,289)
Total Comprehensive (Income) and Expenditure	10,167	10,167
Closing Balance as at 31 March 2023	(10,122)	(10,122)

Movement in Reserves 2021/22	General Fund £000's	Total Usable Reserves £000's
Opening Balance as at 1 April 2021	(9,608)	(9,608)
Total Comprehensive (Income) and Expenditure	(10,681)	(10,681)
Closing Balance as at 31 March 2022	(20,289)	(20,289)

Balance Sheet

The Balance Sheet shows the value, as at 31 March 2023, of the assets and liabilities recognised by the Board. The net assets of the Board are matched by the reserves held.

2021/22 Total £000's		Notes	2022/23 Total £000's
	Current Assets		
20,289	Short Term Debtors		10,122
	Current Liabilities		
0	Short Term Creditors		0
20,289	Total Assets less current Liabilities		10,122
	Capital and Reserves		
20,289	General Fund		10,122
20,289	Total Reserves	MIRS, Note 4	10,122

The accounts were authorised for issue on 14th December 2023.

David King
Interim Chief Finance Officer

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarises the IJB's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023.

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 2022/23, 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 2023.

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.

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 £10,122,000 at 31 March 2023.

2. Events After the Reporting Period

The Annual Accounts were approved by the Integration Joint Board and authorised for issue by the Chief Finance Officer. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Since April 2023, as per the IJB's Integration Scheme, the Chair passed from an NHS Lothian appointee to an East Lothian Council appointee. Councillor Shamin Aktar has been appointed Chair for 2023/24. The CFO (Claire Flanagan) resigned (at the end of September 2023) and an Interim Chief Finance Officer (David King) has been provided by NHS Lothian. This appointment has been agreed by the IJB.

3. Short Term Debtors

The IJBs short term debtors are broken down as follows:

	2021/22 £000's	2022/23 £000's
Funding due from NHS Lothian	18,782	8,333
Funding due from East Lothian Council	1,507	1,789
Total	20,289	10,122

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.

4. Reserves

The IJB's usable General Fund reserve is broken down as follows:

	2021/22 £000's	2022/23 £000's
COVID-19 Funding	9,182	0
Scottish Government Mental Health Strategy - Action 15	8	66
Scottish Government Primary Care Improvement Plan Fund	354	80
Midlothian and East Lothian Drug and Alcohol Partnership	1,038	59
Community Living Change Fund	346	346

Winter - Care at Home Capacity	419	419
Winter - Interim Care	420	420
Winter - Multi-Disciplinary teams	158	0
Carers	79	141
Unpaid Carers PPE	0	2
Unscheduled Care	0	1,777
Locally Committed Programmes	3,475	1,782
Earmarked General Fund Reserves	15,479	5,092
Uncommitted General Fund Reserves	4,810	5,030
Total Usable Reserves	20,289	10,122

5. Taxation and Non-Specific Grant Income

2021/22 £000's		2022/23 £000's
53,771	Contributions from East Lothian Council	61,644
156,160	Contributions from NHS Lothian	142,908
209,931	Total	204,552

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 £24,764,000 in respect of the Set Aside resources and £32,807,000 in respect of East Lothian's share of pan Lothian health services resources.

6. Corporate Service

Included in the above costs are the following corporate services:

2021/22 £0		2022/23 £0
55	Staff (Chief Officer)	52
3	CNORIS	3
28	Audit Fee	31
86	Total	86

7. 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.

Both Resource Transfer (£4,969,000) and the Social Care fund (£6,216,000) 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.

2021/22 Income £000's		2022/23 Income £000's
156,160	NHS Lothian	142,908
53,771	East Lothian Council	61,644
209,931	Total	204,552

2021/22 Expenditure £000's		2022/23 Expenditure £000's
146,427	NHS Lothian	153,357
52,823	East Lothian Council	61,362
199,250	Total	214,719

2021/22 Net Transactions £000's		2022/23 Net Transactions £000's
9,733	NHS Lothian	(10,449)
948	East Lothian Council	282
10,681	Total	(10,167)

2021/22 Debtors £000's		2022/23 Debtors £000's
18,782	Due from NHS Lothian	8,333
1,507	Due from East Lothian Council	1,789
20,289	Total	10,122

8. 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.

Where the Council is the provider, income and expenditure excluded any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid

on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as income from the Commissioning IJB.

East Lothian Integration Joint Board

2022/23 Annual Audit Report – DRAFT



Prepared for East Lothian Integration Joint Board and the Controller of Audit
XX December 2023

Contents

Key messages	3
Introduction	5
1. Audit of 2022/23 annual accounts	7
2. Financial management	12
3. Financial sustainability	15
4. Vision, leadership and governance	18
5. Use of resources to improve outcomes	21
Appendix 1. Action plan 2022/23	24

Key messages

2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the East Lothian Integration Joint Board (East Lothian IJB) are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the applicable financial reporting framework.

Financial management and sustainability

- 2 East Lothian IJB has appropriate and effective financial management arrangements in place.
- 3 East Lothian IJB reported a deficit of £10.2 million in 2022/23. The outturn position included planned use of reserves in year. East Lothian IJB's underlying operational performance was broadly in line with budget.
- 4 A 5-year medium-term financial plan is in place and has been updated to reflect the impact of Covid 19. It identifies a budget deficit of £13.964 million over the period from 2022/23 - 2026/27.
- 5 Financial sustainability remains a significant risk to East Lothian IJB's strategic objectives. It is the highest rated risk in the risk register. East Lothian IJB needs to work with its partners to design services which are financially sustainable and fit for the needs of the region's citizens.

Vision, leadership and governance

- 6 Governance arrangements are appropriate and operate effectively. There is effective scrutiny, challenge and informed decision making.
- 7 East Lothian IJB's vision is set out in its Strategic Plan and supported by a suite of strategies including the Medium Term Financial Plan and Strategic Workforce Plan. East Lothian IJB's commissioned services need to transform to remain financially sustainable and strong collaborative leadership and partnership working will be needed to deliver this.
- 8 Revisions to the Integration Scheme have been concluded. Scottish Ministers approved the revised Integration Scheme in May 2023.

Use of resources to improve outcomes

- 9 Performance reporting in the annual accounts met the minimum requirements but could be developed to provide more useful insights.

- 10** East Lothian IJB is performing above the Scottish average in most of the national integration indicators.
- 11** East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of East Lothian Integration Joint Board (East Lothian IJB). The scope of the audit was set out in an annual audit plan presented in draft to the 8 March 2023 meeting of the Audit and Risk Committee and finalised by 31 March 2023. This Annual Audit Report comprises:

- significant matters arising from an audit of East Lothian IJB's s annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.
- conclusions on East Lothian IJB's arrangements for meeting its Best Value duties

2. This report is addressed to the board of East Lothian IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, John Boyd, have been appointed by the Accounts Commission as auditor of East Lothian IJB for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank management, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. East Lothian 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. East Lothian IJB is also

responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. 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 of East Lothian IJB from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. 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 2022/23 audit fee of £31,470 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to East Lothian IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual accounts of the IJB are unmodified.

The unaudited annual accounts were provided within the agreed timescale.

Audit opinions on the annual accounts are unmodified

11. East Lothian Integration Joint Board approved the annual accounts for the year ended 31 March 2023 on 14 December 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- 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 was prepared in accordance with the financial reporting framework.
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £4.3 million

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

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

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£4.3 million
Performance materiality	£3.2 million
Reporting threshold	£215 thousand

14. The overall materiality threshold for the audit of the annual accounts of East Lothian Integration Joint Board was set with reference to net (and gross) expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of no significant errors being identified in the financial statements.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

19. The significant findings from the audit are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Presentation of Comprehensive Income and Expenditure Statement</p> <p>The Code of Practice for Local Authority Accounting in the UK requires the Comprehensive Income and Expenditure Statement (CIES) to show gross expenditure, gross income and net expenditure for the year. The IJB's CIES reported only net expenditure.</p>	<p>The presentation of the Comprehensive Income and Expenditure Statement was amended in the revised accounts. This did not impact on the reported comprehensive net expenditure figure.</p>
<p>2. Presentation of Movement in Reserves Statement</p> <p>The Movement in Reserves Statement (MIRS) was not presented in accordance with the Code of Practice for Local Authority Accounting in the UK. The MIRS should present the opening balance, total comprehensive income or expenditure and the closing balance for usable and any unusable reserves.</p>	<p>The presentation of the Movement in Reserves Statement was amended in the revised accounts.</p>
<p>3. Remuneration Report</p> <p>The remuneration disclosure for two senior officers who were in post for part of the year was incorrect. The remuneration paid to the officers was correct but each senior officer had at least two roles and only the remuneration relevant to the IJB role should be disclosed for the period of employment in the IJB.</p>	<p>The Remuneration Report was amended in the revised accounts.</p>

Source: Audit Scotland

Our audit work responded to the risk of material misstatement we identified in the annual accounts

20. We have obtained audit assurances over the identified significant risk of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 3**Significant risk of material misstatement in the annual accounts**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Evaluate the assurances obtained from the auditors of East Lothian Council and NHS Lothian in line with the 2022/23 Integration Joint Boards Protocol for Auditor Assurances.</p> <p>Agreement of balances and transactions to financial reports / ledger of the two partners.</p> <p>Detailed testing of any significant year-end adjustments.</p> <p>Review of East Lothian IJB financial monitoring reports during the year.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test the process for the IJB to record transactions, including journals at the year-end and post-closing entries, and focus on significant risk areas.</p> <p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p>	<p>The assurances received from the external auditors of East Lothian Council and NHS Lothian confirmed that there were no significant matters identified that would affect the East Lothian IJB audit.</p> <p>Balances, transactions and related party disclosures were agreed to financial information and assurances provided to East Lothian IJB by East Lothian Council and NHS Lothian.</p> <p>No unusual or inappropriate activity or journal entries were identified.</p> <p>The accounts do not contain any significant accounting estimates.</p> <p>No evidence of management override of controls was identified.</p>

Source: Audit Scotland

We identified no misstatements above our reporting threshold in the financial statements

21. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Our audit identified no misstatements above our reporting threshold.

22. Our review of the unaudited accounts identified some changes needed in the Management Commentary to comply with disclosure requirements. Management updated the Management Commentary to be consistent with the financial statements and added further performance narrative. Disclosures that were not material were removed.

East Lothian IJB submitted its unaudited annual accounts in line with the agreed audit timetable

23. East Lothian IJB submitted its unaudited annual accounts in line with our agreed audit timetable on 22 June 2023. The working papers provided to support the audit process were of a good standard and finance staff provided good support to the audit team during the audit. The timing of the audit was delayed beyond the agreed timetable due to audit resourcing pressures. As a result the audit was concluded and the annual accounts were approved in December rather than September as originally planned.

We received no objections to the annual accounts

24. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the annual accounts. This must remain on the website throughout the inspection period. East Lothian IJB complied with this requirement. There were no objections to the 2022/23 annual accounts.

The IJB made good progress in implementing prior year recommendations

25. East Lothian IJB has made good progress in implementing the audit recommendations identified by the IJB's previous external auditor, also Audit Scotland, as set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

East Lothian IJB has appropriate and effective financial management arrangements in place.

East Lothian IJB reported a deficit of £10.2 million in 2022/23. The outturn position included planned use of reserves in year.

The underlying operational performance was broadly in line with budget.

East Lothian IJB returned a deficit on the provision of services of £10.2 million in 2022/23. This outturn position includes planned use of reserves in year.

26. East Lothian 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 is incurred by partner bodies and processed in their accounting records.

27. East Lothian IJB reported a £10.167 million deficit on the provision of services for 2022/23. This reduced reserves to £10.122 million as at 31 March 2023. This outturn position reflects the planned use of earmarked reserves, including the Covid-19 reserve. In September 2022 the Scottish Government indicated that it would reclaim unspent IJB Covid-19 reserves for use elsewhere in the NHS. £3.633 million was reclaimed from East Lothian IJB by the Scottish Government via reduced NHS funding allocations, which were passed on to the IJB by NHS Lothian. The IJB's remaining Covid-19 reserves were used to cover the gap created by the reduction in funding. Going forward, the expectation is that any Covid-19 expenditure is funded by IJB baseline budgets.

28. The underlying operational performance was broadly in line with budget although there are continuing financial pressures for individual services. The outturn against budget is reported against the funding provided in-year by the partner bodies.

Budget monitoring arrangements are appropriate

29. Quarterly budget monitoring reports were submitted to the IJB Board throughout the year. The outturn to date and projected year-end outturn position were clearly stated in these reports while the actual year-end outturn position was in line with expectations. The finance reports were relatively short but the Chief Finance Officer gave additional context in presenting the reports to the Board.

30. We observed that senior management and members receive regular and accurate financial information on East Lothian IJB's financial position and have concluded East Lothian IJB has appropriate budget monitoring arrangements.

East Lothian IJB has appropriate financial control arrangements in place

31. East Lothian IJB does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

32. As part of our audit approach, we sought assurances from the external auditors of NHS Lothian and East Lothian Council. The health board auditor did not report any significant weaknesses that could result in a risk to the annual accounts of East Lothian IJB. The council auditor reported that in response to control weaknesses identified earlier in the year, they carried out additional substantive audit testing which gave the required assurance over council income and expenditure in 2022/23. The auditor has provided assurances that sufficient arrangements were in place over the financial transactions and balances reported by the Council to the Integration Joint Board.

Informed by work carried out by internal audit throughout the year, East Lothian IJB has concluded that it can place a reasonable level of assurance over the adequacy and effectiveness of the framework of governance, risk management and control for the year ending 31 March 2023.

33. Internal audit provides East Lothian IJB with independent assurance on risk management, internal control and corporate governance processes. East Lothian IJB's internal audit function is provided by East Lothian Council's Internal Audit Unit. In addition to the work undertaken by the council team, work is also undertaken by the NHS Lothian Internal Audit team through principles agreed by NHS Lothian and the Lothian IJBs.

34. Internal Audit have now completed their 2022/23 audit work and presented their Annual Audit Report to the June 2023 Audit and Risk Committee. Internal Audit's 2022/23 opinion was that, subject to some control weaknesses identified, reasonable assurance can be placed the overall adequacy and effectiveness of East Lothian IJB's framework of governance, risk management and control for the year ended 31 March 2023.

35. There is a continuing significant risk of cyber-attacks on public bodies and it is important to have appropriate cyber security arrangements in place. Several recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. East Lothian IJB receives assurance from its partners on cyber security, including relevant internal audit reports.

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

36. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption. East Lothian 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 constituent bodies.

37. As part of our audit approach, we obtained assurances from the external auditors of NHS Lothian and East Lothian Council. The assurances confirmed that there were no significant weaknesses in the arrangements for the prevention and detection of fraud at either body.

38. The IJB has a Code of Conduct for members. Each member is required to sign the Code and complete a Register of Interest to indicate any potential conflicts of interest. Members' Registers of Interest are publicly available on the IJB's website.

39. We concluded that East Lothian IJB has adequate arrangements in place to prevent and detect fraud or other irregularities. We are not aware of any specific issues we require to bring to your attention.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

A 5-year medium-term financial plan is in place and has been updated to reflect the impact of Covid-19. It identifies a budget deficit of £13.964 million over the period from 2022/23 - 2026/27.

Financial sustainability remains a significant risk to East Lothian IJB's achievement of its strategic objectives. It is the highest rated risk in the risk register. East Lothian IJB needs to work with its partners to design services which are financially sustainable and fit for the needs of East Lothian's citizens.

We carried out audit work in response to a risk relating to financial sustainability identified in our 2022/23 Annual Audit Plan

40. [Exhibit 4](#) sets out the wider scope risk relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 4

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

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial Sustainability:</p> <p>East Lothian IJB is operating in an environment of increasing financial constraints. The Medium-Term Financial Plan 2022/23-2026/27 indicates a funding gap in each year beyond 2022/23 but does not set out how East Lothian IJB plans to address the gap. There is a</p>	<p>We will review East Lothian IJB's financial reporting to assess the reasonableness of the assumptions in the medium-term financial plan.</p> <p>We will review progress made in dealing with cost pressures, including meeting any savings targets.</p> <p>We will review the Management Commentary in</p>	<p>The Scottish Government effectively reclaimed East Lothian IJB's unspent Covid-19 reserves by reducing NHS Lothian's funding allocation, which was passed on to East Lothian IJB in a £3.633 million reduction in NHS Lothian's funding contribution to the IJB. East Lothian IJB then used its reserves to cover the funding gap created</p>

Audit risk	Assurance procedure	Results and conclusions
<p>risk that the IJB is unable to deliver the changes required to remain within its resource constraints.</p> <p>In addition, The Scottish Government wrote to all IJBs in September 2022 indicating that, due to changes in public health policy, it intended to reclaim and re-distribute some IJB reserves which relate to Covid funding to meet current Covid priorities. It is anticipated that this will be achieved through a reduction in NHS funding allocations, ultimately reducing NHS Lothian's funding contribution to East Lothian IJB.</p> <p>If funding is reduced, this could have a significant impact on the IJB's ability to deliver services or its ability to meet future financial pressures</p>	<p>the annual accounts for disclosures on the IJB's financial decision making during 2022/23.</p> <p>We will review Board papers and minutes to assess the transparency of financial decision making.</p>	<p>by the reduced funding contribution.</p> <p>The rolling 5-year financial plan agreed by the East Lothian IJB Board in December 2022 identified a funding gap before savings plans of £13.694 million over the period 2022/23 to 2026/27. Officers have yet to identify savings to fully address the gap.</p> <p>Conclusion:</p> <p>The IJB is still to identify measures to ensure a financial sustainable service delivery model.</p> <p>Financial sustainability remains a significant risk for the IJB.</p>

East Lothian IJB has a medium-term financial plan but is yet to identify savings measures to close the financial gap identified in the plan.

41. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

42. East Lothian IJB has a rolling five-year medium-term financial plan which indicates a funding gap in each of the years 2022/23 to 2026/27. The latest finance updates projected a £6.8 million overspend for 2023/24 and savings measures of £6.3 million. Progress in delivering savings measures is being monitored by East Lothian IJB but a gap still needs to be closed. Finance reports do not indicate if the savings measures deliver recurring or non-recurring savings. Recurring savings will help to close the funding gap in future years.

43. East Lothian IJB keeps its financial planning assumptions under review: the most significant risks identified are in GP prescribing costs (which can be influenced but not directly controlled as these are demand led and GP prescribers are independent contractors), a national care uplift estimated at

5.5%, care at home inflation estimated at 3.5%, and pressure from unfunded pay awards.

44. The IJB reserves policy is to maintain a minimum level of uncommitted reserves of £4 million (2% of net expenditure). As at 31 March 2023 the IJB had £5.030 million of uncommitted reserves and £5.092 million of reserves earmarked for specific purposes. A further £0.740 million of the uncommitted reserves has now been committed since the year end, reducing the uncommitted reserves to £4.290 million, just above the minimum level.

45. Financial sustainability is currently the highest rated risk in the risk register. East Lothian IJB needs to transform its services and increase its focus on prevention and early intervention to design service models which are financially sustainable. The Change Boards and the Strategic Planning Group have a key role in designing services which are financially sustainable and fit for the needs of East Lothian's citizens.

Recommendation 1

The IJB should identify further savings measures to address the budget gap projected in its medium-term financial plan. The IJB should engage with its partners to identify financially sustainable service delivery options.

46. Developing robust scenario planning to support the medium-term financial plan would provide IJB members with a framework for strategic decision making in the context of increasing uncertainty over future funding and increasing financial pressures.

Recommendation 2

East Lothian IJB should develop robust scenario planning to support members' strategic decision making in the context of increasing uncertainty over future funding and increasing financial pressures.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

East Lothian IJB's governance arrangements are appropriate and operate effectively. There is effective scrutiny, challenge and informed decision making.

East Lothian IJB's vision is set out in its Strategic Plan and supported by a suite of strategies including the 5-year Medium Term Financial Plan and Strategic Workforce Plan. East Lothian IJB's commissioned services need to transform to remain financially sustainable and strong collaborative leadership and partnership working will be needed to deliver this.

Revisions to the Integration Scheme have been concluded. Scottish Ministers approved the revised Integration Scheme in May 2023.

Governance arrangements are appropriate and operate effectively and there is effective scrutiny, challenge and informed decision making

47. East Lothian IJB has well established governance arrangements with the IJB Board supported through the Audit and Risk Committee.

48. From review of committee and Board papers and through attendance at committee meetings throughout the year we have found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

49. We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

50. East Lothian IJB's vision is set out in its Strategic Plan 2022-25 and supported by a suite of strategies including the 5-year Medium Term Financial Plan, Strategic Workforce Plan, Commissioning Strategy, and Engagement Strategy.

51. The work of the Strategic Planning Group and the Change Boards is important for planning services that meet local needs and that are delivered in financially sustainable models. As demand for services grows and financial resources become even more pressured, East Lothian IJB will need to work with its partners to transform services. The potential impact of preventative and early intervention work has been discussed at IJB meetings but these are areas which the IJB has not yet fully developed.

52. Although approval of the Strategic Workforce Plan is a positive step in supporting the strategic objectives of East Lothian IJB, further important development is needed. The 2022/23 Internal Audit Report on Workforce Planning reviewed the adequacy and effectiveness of the arrangements in place for workforce planning. Internal Audit provided 'Reasonable Assurance' on this area but reported that a comprehensive skills gap analysis has not yet been completed so East Lothian IJB is unable to determine workforce demands or develop appropriate recruitment and training to address gaps. Management action to conduct a skills gap analysis is still in progress.

Revisions to the Integration Scheme have been concluded

53. Integration Schemes require to be updated every five years. The East Lothian Integration Scheme was reviewed in 2022 with public consultation on the revised scheme in March 2022. Scottish Ministers approved the revised scheme in May 2023.

Changes in senior officers

54. There were two recent changes in senior officer posts as the Chief Officer left their post in June 2022 and a new Chief Officer was appointed from July 2022. The Chief Finance Officer left their post in September 2023 and a new Chief Finance Officer was appointed on an interim basis until 31 March 2024. The Interim Chief Finance Officer previously held this role on an interim basis to cover a leave of absence in 2021/22. Recruitment for a permanent Chief Finance Officer is under discussion.

Climate change arrangements

55. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

56. East Lothian IJB is required to comply with the Climate Change (Scotland) Act 2009. The Strategic Plan 2022 commits to issuing a "Net Zero Emissions Target Statement by end November 2022, as required by Scotland's mandatory annual reporting by public bodies on their statutory climate change duties. This statement will reflect the commitments of our partners whose buildings and facilities we occupy and their policies and procedures regarding buildings, transport and energy." We could not locate this statement in a search of the IJB's website. As part of our audit work at NHS Lothian and East Lothian Council we consider the arrangements in place over climate change.

57. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusion

Performance reporting in the annual accounts met the minimum requirements but could be developed to provide more useful insights.

East Lothian IJB is performing above the Scottish average in most of the national integration indicators.

East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value.

Performance reporting in the annual accounts met the minimum requirements but improved reporting would be more useful

58. Management Commentaries 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.

59. The management commentary in the annual accounts provides a summary of the main service achievements during the year including explanation of the impact of Covid-19 on outturn and reserves. The commentary was revised in the audited annual accounts to include further narrative on performance against the IJB's strategic objectives and outcomes.

East Lothian IJB is performing above the Scottish average in most of the national integration indicators.

60. 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.

61. East Lothian IJB's Annual Performance Report 2022/23 was presented to the Board in June 2023. The report is also published on the IJB's website with some commentary on performance achievements.

62. Performance levels are measured against a suite of national performance indicators covering areas such as delayed discharges, care services rated 'good' or better by Care Inspectorate inspections, and premature mortality rates. The IJB reported against ten national integration indicators.

63. For seven of the ten indicators, East Lothian IJB's annual performance was higher than the Scottish average performance. In particular:

- the premature mortality rate per 1000 population (357) was significantly lower than the Scottish average (442).
- Delayed discharges (number of days people aged 75+ spend in hospital when they are ready to be discharged, per 1,000 population) at 206 days in East Lothian were significantly below the Scottish average of 919 days.

64. In three cases performance was below the Scottish national average. For two of these, the East Lothian rate was just below the national average: "falls rate per 1000 population 65+" was 21 (Scottish average 22); and "proportion of last 6 months of life spent at home or in a community setting" in East Lothian (88% in 2022) has remained just below the Scottish average (89% in 2022) for each year recorded. The East Lothian rate of emergency bed days for adults (per 100,000 population) increased slightly from the previous year and remained marginally higher (115,704 in 2022) than the Scottish level (113,134).

65. Nine of the national integration indicators are based on data from the biennial Scottish Health and Care Experience survey. The most recent survey was in 2021/22 and performance against these indicators was reported in the IJB's 2021/22 performance report. These national indicators are not directly comparable to previous years because of changes to the wording and methodology of the Health and Care Experience survey.

66. The Annual Performance Report also covers the six ministerial steering group performance measures. Performance in 2022/23 against these measures has been mixed. There was a reduction in the number of emergency admissions, but there was a year-on-year deterioration in four measures including new A&E attendances. The 6-year trend remained positive for four measures. The IJB reported data issues in reporting the number of unscheduled geriatric and mental health hospital bed days.

67. The IJB's performance reporting mentions very few performance targets and thus it is not clear whether there are areas where performance is not in line with targets. It is not made clear whether targeted action plans have been developed in areas of declining performance and are being monitored to improve performance.

68. The IJB provides other information on service performance via the News section of its website, which includes service updates and external inspections. This provides a clear summary with links to further information where relevant. A

joint inspection of adult support and protection measures in East Lothian, undertaken by the Care Inspectorate, Healthcare Improvement Scotland and His Majesty's Inspectorate of Constabulary in Scotland, was published in June 2023. It found clear strengths in ensuring adults at risk of harm are safe, protected and supported.

69. We have concluded that the IJB has arrangements in place for measuring and reporting performance but this reporting is unclear on whether performance is in line with targets and what actions are taken to improve performance where areas of concern are identified.

Recommendation 3

The IJB should expand its performance reporting to report whether performance is in line with targets and to report on mitigating actions planned in areas where performance is not in line with expectations.

East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value

70. 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.

71. East Lothian IJB's statutory equalities reporting, financial reporting and performance reporting arrangements demonstrate key aspects set out in the statutory Best Value guidance. However, the IJB does not make an overall assessment of how it delivers Best Value. It is good practice to self-assess compliance with statutory Best Value duties.

Recommendation 4

The IJB should consider formal self-assessment against the Best Value guidance to demonstrate how it complies with its statutory Best Value duties.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Financial Sustainability</p> <p>East Lothian IJB's medium term financial plan identifies a funding gap of £13.964 million before savings measures. Identified savings are not enough to close the gap. Service transformation will be needed to ensure services remain within the available resource constraints.</p> <p>Risk – the IJB's strategic plans are not financially sustainable.</p>	<p>The IJB should identify savings measures to address the funding gap over the 5-year period of its medium-term financial plan. The IJB should engage with its partners to identify financially sustainable service delivery options.</p> <p>Paragraph 45</p>	<p>Agreed. The IJB is developing its financial plan and is preparing a recovery plan and a further sustainable plan. This work will be undertaken working closely with both of the IJB's partners. The IJB will ensure that any financial plans will reflect the IJB's overall goals as expressed in its Strategic Plan.</p> <p>This work will be led by the Chief Finance Officer and the Chief Officer.</p> <p>To be actioned by October 2024.</p>
<p>2. Strategic financial planning</p> <p>East Lothian IJB's medium term financial plan covers a 5-year period and supports the IJB's strategic aims. Robust scenario planning could assist IJB members with strategic decision making in the context of increasing financial pressures and uncertainty over future funding.</p> <p>Risk – the IJB's strategic vision and decision making is</p>	<p>East Lothian IJB should develop robust scenario planning to support members' strategic decision making in the context of increasing uncertainty over future funding and increasing financial pressures.</p> <p>Paragraph 46</p>	<p>Agreed. This will be addressed as part of the work on the medium term plan above.</p> <p>This work will be led by the Chief Finance Officer and the Chief Officer.</p> <p>To be actioned by March 2025.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>not fully supported by a sustainable financial plan.</p>		
<p>3. Performance reporting</p> <p>East Lothian IJB's performance reporting is unclear on whether performance is in line with expectations. It contains few targets and is not explicit on, and on whether targeted improvement actions are planned for areas of concern.</p> <p>Risk – the IJB does not manage its performance effectively.</p>	<p>The IJB should expand its performance reporting to report whether performance is in line with targets and to report on mitigating actions planned in areas where performance is not in line with expectations.</p> <p>Paragraph 69</p>	<p>Agreed.</p> <p>This work will be led by the Chief Officer.</p> <p>To be actioned by October 2024.</p>
<p>4. Compliance with Best Value statutory duties</p> <p>East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value. It has key elements such as financial and performance reporting in place but does not report an overall assessment of its delivery of Best Value.</p> <p>Risk – the IJB does not comply with its statutory duties.</p>	<p>The IJB should consider formal self-assessment against the Best Value guidance to demonstrate how it complies with its statutory Best Value duties.</p> <p>Paragraph 71</p>	<p>Agreed. Development work on Best Value was undertaken by the CFO and the IJB's Audit and Risk Committee in 2021/22. This will be reviewed and revised and reported to the IJB for approval.</p> <p>This work will be led by the Chief Finance Officer.</p> <p>To be actioned by October 2024.</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1 Medium term financial plan update</p> <p>The medium-term (five year) financial plan 2021/22 – 2024/25 was prepared under a 'business as usual,' pre-Covid-19 scenario. The plan</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>Complete</p> <p>The IJB's Strategic Plan 2022-25 recognises the impact of Covid-19 on the future of community health and care services.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>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 medium-term financial plan 2022/23-2026/27 that supports this Strategic Plan was presented to the IJB in December 2022, although further updating was needed to identify actions to address the funding gap identified.</p>
<p>b/f 2. Performance information provided to the IJB</p> <p>It is noted that East Lothian IJB is 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 East Lothian IJB is not reported to the Board on a regular basis with the Board members not being able to see the whole picture of how the IJB is performing.</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>Complete</p> <p>The 2022/23 Annual Performance Report was reported to the IJB in June 2023 and is now published on the IJB's website.</p>

East Lothian Integration Joint Board

2022/23 Annual Audit Report

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