



**REPORT TO:** East Lothian IJB – Audit and Risk Committee

**MEETING DATE:** 18 June 2024

**BY:** Chief Internal Auditor

**SUBJECT:** East Lothian Integration Joint Board Draft Annual Governance Statement 2023/24

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## **1 PURPOSE**

- 1.1 To present the draft Annual Governance Statement 2023/24 for the East Lothian Integration Joint Board (ELIJB) which explains the ELIJB's governance arrangements and system of internal control and reports on their effectiveness for the year ended 31 March 2024.

## **2 RECOMMENDATION**

- 2.1 The Audit and Risk Committee is asked to approve the draft Annual Governance Statement for inclusion in the draft Annual Accounts 2023/24.

## **3 BACKGROUND**

- 3.1 The East Lothian Integration Joint Board (ELIJB), established as a separate legal entity as required by the Act, is responsible for the strategic planning and commissioning of a wide range of integrated health and social care services across the East Lothian partnership area, based on resources which have been delegated to it by the partners, East Lothian Council and NHS Lothian.
- 3.2 Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in Scotland the statement is an Annual Governance Statement.

- 3.3 The CIPFA Good Governance Framework states that local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.
- 3.4 The ELIJB Audit and Risk Committee remit includes a review of the IJB's corporate governance arrangements against the good governance framework and consideration of annual governance reports and assurances. This paper and approval of the draft Annual Governance Statement in Appendix 1 fulfils this part of the remit.

#### **4 ENGAGEMENT**

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

#### **5 POLICY IMPLICATIONS**

- 5.1 None

#### **6 INTEGRATED IMPACT ASSESSMENT**

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **7 DIRECTIONS**

- 7.1 The subject of this report does not require any amendment to or creation of Directions.

#### **8 RESOURCE IMPLICATIONS**

- 8.1 Financial – None
- 8.2 Personnel – None
- 8.3 Other – None

#### **9 BACKGROUND PAPERS**

- 9.1 Appendix 1 Draft Annual Governance Statement East Lothian IJB

<b>AUTHOR'S NAME</b>	Duncan Stainbank
<b>DESIGNATION</b>	Chief Internal Auditor
<b>CONTACT INFO</b>	dstainbank@eastlothian.gov.uk
<b>DATE</b>	11 June 2024



East Lothian Integration Joint Board – Draft Annual Governance Statement

## **Appendix 1 Draft Annual Governance Statement**

### **East Lothian IJB**

#### **Introduction**

The Annual Governance Statement explains the ELIJB's governance arrangements and system of internal control and reports on their effectiveness.

#### **Scope of Responsibility**

The ELIJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility, the ELIJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the ELIJB's policies, aims and objectives. Reliance is also placed on NHS Lothian and East Lothian Council's (the partners) systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the ELIJB. The system can only provide reasonable and not absolute assurance of effectiveness.

#### **The Governance Framework and Internal Control System**

The Board of the ELIJB comprises voting members, nominated by either NHS Lothian or East Lothian Council, as well as non-voting members including a Chief Officer appointed by the Board.

The ELIJB Local Code of Corporate Governance sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. The ELIJB Local Code reflects the changing context of integration and is consistent with the 7 core principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. The overall aim of the Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The main features of the governance framework and internal control system associated with the seven core principles of good governance defined in the ELIJB Local Code in existence during 2023/24 included:

#### **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The roles and responsibilities of Board members and statutory officers and the processes to govern the conduct of the Board's business are defined in the Scheme of Integration which was approved by the Board and NHS Lothian in June 2022 and by the Scottish Government in July 2023, which serves as the approved constitution, and Standing Orders, a revision of which was approved by the Board in March 2020, to make sure that public business is conducted with fairness and integrity.

The Ethical Standards in Public Life (Scotland) Act 2000 provides for Codes of Conduct for local authority councillors and members of relevant public bodies. As a Public Body listed in schedule 3 of the Act, the ELIJB is required to produce and for members to adhere to a Code of Conduct, which was approved by the Board in October 2023.

The ELIJB is dependent upon arrangements within the partner organisations for areas such as:

- ensuring legal compliance in the operation of services;
- handling complaints;
- ethical awareness training and whistleblowing policies and procedures;
- staff appointment and appraisal processes which take account of values and ethical behaviour;
- identifying, mitigating and recording conflicts of interest, hospitality and gifts; and
- procurement of goods and services which are sustainable, represent value of money and which reinforce ethical values.

Other areas where the ELIJB places significant reliance on arrangements in place within the partner organisations are set out in the remainder of the statement.

The Chief Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Professional advice on the discharge of duties is provided to the Board by the ELIJB Chief Officer supported by the Chief Financial Officer, Chief Internal Auditor and Board Clerk as appropriate.

### **B. Ensuring openness and comprehensive stakeholder engagement**

Board meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality.

Unless confidential, decisions made by the Board are documented in the public domain.

Community engagement was encouraged as part of the development of the Scheme of Integration and the Strategic Plans of the Health and Social Care Integration Joint Board were developed following consultations with interested parties including members of the public. The Board approved the ELIJB Participation and Engagement Strategy 2023-25 in May 2023.

### **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The vision, strategic objectives and outcomes are reflected in the East Lothian Integration Joint Board Strategic Plan 2022-25, which was approved in September 2022 and has been updated to reflect on-going assessment of need and priorities following public consultation.

Implementation is underpinned by the associated Directions which were reviewed by the Board in October 2023.

ELIJB formally adopted the CIPFA FM Code at its meeting in December 2022. Regular review of the medium term financial plans has been ongoing with the most recent review at the ELIJB in April 2024, with the approval of the revised five year financial plan 2024/25 to 2028/29.

**D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

In determining how services and other courses of action should be planned and delivered, the ELIJB has a statutory responsibility to involve patients and members of the public. The Board approved the ELIJB Participation and Engagement Strategy 2023-25 in May 2023.

The ELIJB Strategic Plan is based on consultation during its review and update.

The ELIJB has issued Directions to the partners for service delivery.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The ELIJB Chief Officer is responsible and accountable to the Board for all aspects of management including promoting sound governance and providing quality information/support to inform decision-making and scrutiny.

Regular meetings are held between the Chief Officer and the Chair and Vice Chair of the ELIJB. The ELIJB Chief Officer also meets regularly with representatives from the partner organisations.

Members of the ELIJB Board are provided with the opportunity to attend Development Sessions relevant to their role.

A three year Workforce Plan 2022-25 was created, approved and published in February 2023 to help ensure it has the right people, with the right skills, in the right place, at the right time to support the delivery of its strategic objectives and priorities.

**F. Managing risks & performance through robust internal control & strong public financial management**

The ELIJB Chief Officer has overall responsibility for directing and controlling the partnership to deliver health and social care services. The ELIJB Board is responsible for key decision-making.

The ELIJB has approved a Risk Strategy and Risk Policy through the Audit and Risk Committee in December 2022 and risk reporting continues to each Audit and Risk Committee.

The ELIJB Chief Financial Officer is responsible for the proper administration of all aspects of the ELIJB's financial affairs including ensuring advice is given to the Board on all financial matters.

The ELIJB's system of internal financial control is dependent upon the framework of financial regulations, regular management information (including Revenue Budget Monitoring reports to the Board), administrative procedures (including segregation of duties), management supervision and systems of delegation and accountability within the partner organisations.

The ELIJB also relies upon the partners for:

- Counter fraud and anti-corruption arrangements; and
- Management of data in accordance with applicable legislation.

## **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

The Shared Chief Internal Auditor of East Lothian Council is the ELIJB's Chief Internal Auditor whose role is to provide an independent and objective annual opinion on the effectiveness of the ELIJB's internal controls, risk management and governance. This is carried out in conformance with the Public Sector Internal Audit Standards.

The ELIJB responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The ELIJB Audit and Risk Committee is integral to overseeing assurance and monitoring improvements in internal controls, risk management and governance.

An Annual Performance Report for 2023/24 is being prepared to outline progress against strategic objectives over the year. The last Annual Performance Report for 2022/23 was approved by the Board in June 2023.

The Annual Accounts and Report for 2023/24 will set out the financial position in accordance with relevant accounting regulations and is being prepared for submission in draft to the June 2024 Board meeting.

### **Review of Adequacy and Effectiveness**

The ELIJB is required to conduct an annual review of the effectiveness of its governance framework.

The review was informed by: an annual self-assessment carried out by Internal Audit against the ELIJB's Local Code of Corporate Governance; Internal Audit reports for the ELIJB; External Audit reports for the ELIJB; relevant reports by other external scrutiny bodies and inspection agencies; and relevant partners' (NHS Lothian and East Lothian Council) Internal Audit and External Audit reports.

In respect of the three improvement areas of governance identified by the ELIJB in 2022/23, there have been developments during the year in all three of these. Specifically, the strategic planning group are continuing to encourage membership and regular attendance from all group members to ensure appropriate representation from across the community, an update to the five year financial plan for 2024/25 to 2028/29 was approved at the December 2023 Board meeting, and a comprehensive skills gap analysis is being progressed to conclusion during 2024.

### **Improvement Areas of Governance**

The review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

- A report on the Structure and Governance Review of Change Boards, that was approved by the East Lothian Strategic Planning Group in October 2023, identified weaknesses in the framework for Change Boards, in December 2023 Internal Audit further recommended that the actions were allocated an action owner in order to track implementation, these recommendations continue to be progressed.
- A Draft East Lothian HSCP Performance Framework is in place, outlining performance monitoring and reporting across the ELHSCP. The draft Framework describes the current arrangements in place, provides details of current performance indicators and identifies

areas that need to be developed further. However, there is a need to finalise the Performance Framework and ensure that areas for development are sufficiently progressed. The framework was approved at the May 2024 ELIJB and will now progress these improvements.

- The East Lothian IJB has adopted the Model Publication Scheme (MPS) and made a significant amount of information available to view online. Information has in the main been appropriately classified in the MPS and the associated Guide to Information also adheres to the six MPS principles. The East Lothian IJB MPS has not been updated since 2017 and significant improvement opportunities have been identified relating to the review of the MPS and the information available, alongside a self-assessment exercise and training requirements it is anticipated that these improvements will be in place by September 2024.
- The revised IJB five year financial plan 2024/25 to 2028/29 stated the following: The forecast position for 2024/25 was then revised and updated in the light of the Scottish Government's Budget announcements for 2024/25, further revisions to the NHS Lothian forecast, a revision to the IJB's Set Aside budget model and the budget offers for 2024/25 from the IJB's funding partners. The impact of these changes was to reduce the 2024/25 financial gap to £10.8m. The impact of the revision to the IJB's Set Aside budget model - which reduced the financial pressure on the IJB – indicates a total financial pressure of £37.6m. In addition to considering the governance framework to monitor the annual budget pressures and recovery plans the five year financial plan also indicated that further work is underway to ensure that the financial plan is fully mapped onto and driven by the Strategic Plan.

The implementation of these actions to enhance the governance arrangements in 2024/25 will be driven and monitored by the ELIJB Chief Officer in order to inform the next annual review. Internal Audit work planned in 2024/25 is designed to test improvements and compliance in governance.

### **Conclusion and Opinion on Assurance**

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the ELIJB's governance arrangements and system of internal control, while recognising that further improvements are required to fully demonstrate compliance with the Local Code in order for the ELIJB to fully meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

**Shamin Akhtar**  
Chair

**Fiona Wilson**  
Chief Officer