



**REPORT TO:** East Lothian IJB Audit & Risk Committee

**MEETING DATE:** 18 March 2025

**BY:** Chief Internal Auditor

**SUBJECT:** Internal Audit Report – Recovery Plan Monitoring

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## **1 PURPOSE**

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

## **2 RECOMMENDATIONS**

- 2.1 The Audit & Risk Committee is asked to note the contents of the audit report.

## **3 BACKGROUND**

- 3.1 An assurance review of Recovery Plan Monitoring has been undertaken as part of the Audit Plan for 2024/25.
- 3.2 The main objective of the audit was to review the adequacy and effectiveness of the arrangements in place for Recovery Plan Monitoring within the East Lothian IJB.
- 3.3 The main findings from our audit work are outlined in the attached report which has been graded Reasonable Assurance.

## **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 None.

Appendix 1: Internal Audit Report – ELIJB Recovery Plan Monitoring

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<b>DATE</b>	11 March 2025



East Lothian IJB  
Recovery Plan Monitoring  
February 2025

**Conclusion**

Reasonable Assurance

# Contents page

Executive Summary	3
Headlines	4
Areas where expected controls are met/good practice	5
Detailed Recommendations	6
Appendices	
Appendix A – Recommendation Grading/Overall opinion	8
Appendix B – Resource, acknowledgements & distribution list	9

# 1 Executive Summary: Recovery Plan Monitoring

## Conclusion: Limited Assurance

The East Lothian IJB has noted the financial pressures faced by the partnership and support the requirement to have agreed and documented financial recovery schemes in place to identify and put in place the actions necessary to address the predicted 2024/25 budget shortfall. Recovery Plans have been developed through a number of development sessions with finance and service staff. At an operational level, all the schemes are recorded and monitored against target on a regular basis and form the basis of the financial information presented at the development sessions, alongside routine financial reporting to the Board. However, we have noted that the Board is not being routinely provided with detailed progress reports.

### Background

According to the East Lothian IJB Integration Scheme 2022, the Board's Chief Finance Officer is required to liaise closely with NHS Lothian and East Lothian Council to develop integrated medium term financial planning and associated financial recovery plans taking account of assumptions around available funding, and future service demands and delivery models.

In the event that routine remedial actions to the financial plans will not prevent budget overspends, then the East Lothian IJB Chief Finance Officer will, together with the relevant partner, develop a proposed recovery plan to address the forecast overspend. The Chief Finance Officer is then required to present the recovery plan to the Board as soon as practically possible. The Board has to be satisfied with the recovery plan and the plan is subject to its approval.

Where such as recovery plan is unsuccessful and an overspend occurs at the financial year end and where there are insufficient available reserves held by the Board to meet the overspend, then the partners may make additional payments to the Board.

### Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the East Lothian IJB Chief Finance Officer**:

- While it is noted that the Board has documented recovery plans, and that they have been subject to appropriate scrutiny by the Board upon approval. No schedule for the reporting progress has been included in them. Reporting arrangements for each recovery plan should be agreed with the Board. *Management have agreed to establish a schedule of reporting, with approval of the Board by 31 March 2025.*
- While the Board receives routine financial updates as part of the wider financial reporting framework, there has to date been no further detailed reporting to the Board on the progress of the various recovery plans, which includes both the financial performance of the plan and progress against the plan's operational/service objectives. Management should develop and present an update report as soon as possible and adhere to the agreed reporting frequency thereafter. *Management have agreed to develop an appropriate reporting template to include relevant information, as agreed with the Board by 31 March 2025.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	2	-	-
Prior report	N/A	N/A	N/A	N/A

**Materiality:** Alongside the 19 grip & control and efficiency schemes approved by the Board at the March 2024 budget setting meeting, a further ten service redesign and proposals were approved, with a recovery value of £5.3m. It was assumed that the Grip & Control and Efficiency Schemes, totalling £4.7m will not impact on the IJB's Strategic Plan and therefore are available to support the financial pressures in 2024/25. Service Redesign and Proposals require review and significant change in service delivery and are likely to impact on the Board's Strategic Objectives

## 2 Headlines

Objectives	Conclusion	Comment
1. The IJB has ensured that financial recovery plans related to its delegated functions have been presented to and approved by the Board	Substantial Assurance	Financial Recovery Plans have been developed to address the shortfall in the Board's budget for 2024/25. They were presented to the Board in March 2024 as part of the overall budget setting process for the year.
2. Assumptions recorded within the Financial Recovery Plans are reasonable and have been subject to appropriate scrutiny	Substantial Assurance	The Board have scrutinised the proposed recovery plans, including any potential impact on the delivery of its strategic objectives. The plans, along with their Integrated Impact Assessments were also reviewed in the first instance by the East Lothian HSCP Strategic Planning Group prior to submission to the Board.
3. Arrangements are in place for the routine reporting of progress against Financial Recovery Plans to the Board and its associated Committees	Reasonable Assurance	While Recovery Plans have been drawn up using a set template to record the plan description, risks/impacts and forecast savings, an agreed reporting frequency for each has not been included.
4. Reports are complete, accurate and present a realistic position of performance against Financial Recovery Plan targets	Limited Assurance	Review of the September report to the Board had noted that while the original intention from the March Board meeting was to present a more detailed recovery plan monitoring report, the Quarter 1 Finance Update to the meeting had instead noted that the IJB continued to review its five-year financial plan. Therefore, and to date no detailed reporting to the Board on the progress and delivery of Recovery Plans has been made.
5. Amendments to Financial Recovery Plan targets are appropriate and are approved by the Board or Committee with relevant delegated authority	Reasonable Assurance	<p>The recovery plans agreed in March 2024 slightly totalled a greater amount than the reported gap, to allow for some variance, and allow the operational teams to revise targets if necessary.</p> <p>While the workshop in September 2024 had forecast approximately £2m slippage, the financial targets have not been changed at this time. Additional Recovery Plans will be necessary were the Board to determine that any reported shortfall should be addressed. These would be taken to the Board to obtain approval and give assurances around the delivery of the IJB's Strategic Objectives.</p>

### 3 Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	The Board has been notified of the financial gap in its 2024/25 budget and advised of the recovery actions planned to deliver the savings necessary to achieve a balanced budget.
2.	Financial Recovery Plans include a summarised description of the proposal, alongside forecast savings, risks and impact, and the service lead with overall responsibility for the delivery of the scheme. All The Service redesign and other proposals were assessed in detail by the East Lothian HSCP Strategic Planning Group prior to submission to the Board.
4.	Integrated Impact Assessments (IIAs) were developed as part of the recovery planning process and also reviewed by the East Lothian HSCP Strategic Planning Group.
5.	The Board, following scrutiny, have approved the recovery plans. The minutes from the 28 March 2024 meeting noted that the Board members had discussed the proposals at length and at the same time assessed each against its strategic objectives, with emphasis on the delivery of the strategic plan and the impact of the actions necessary to achieve the targets.
6.	At an operational level, all the schemes are recorded and being monitored against target on a regular basis. The East Lothian HSCP has set up a specific management led monthly meeting to look at the delivery of the recovery actions in addition to the usual operational financial management actions. The HSCP finance business partner has added 'risk assessed' tab for the recovery schemes as part of the monthly reporting.
7.	The recovery plans agreed in March 2024 came slightly more than the reported gap, to allow for some variance, and allow the operational teams to revise targets if necessary. Although, while the workshop in September 2024 had forecast approximately £2m slippage, the financial targets have not been changed at this time. However, it should be noted that if there were any future requirements to adjust the recovery targets, this would be taken to the Board to obtain approval and give assurances around the delivery of the IJB's Strategic Objectives.

## 4 Detailed Recommendations

### Reporting Frequency

Objective: 3	Arrangements are in place for the routine reporting of progress against Financial Recovery Plans to the Board and its associated Committees	Grade	Recommendation
<p>On 28 March 2024 the East Lothian IJB was presented with the budget setting paper for the financial year 2024/25.</p> <p>Due to the significant budget shortfall predicted for the year the paper advised that three categories of savings proposals were considered, including a number of proposals which were likely to result in significant change in service delivery and involve redesign which may impact on the IJB's Strategic objectives.</p> <p>The IJB held three finance development sessions on 31 January 2024, 27 February 2024 and 7 March 2024 to work through the through the process of developing and preparing the savings proposals which would be required to balance the 2024/25 position. The development sessions involved a wide range of attendees including members of the IJB, HSCP managers and finance colleagues. Briefing packs and slides from these workshops were circulated to all IJB members.</p> <p>As a result of the work from the development sessions, the budget setting paper included detailed descriptions of eight recovery plans which in order to deliver the intended savings were reported to impact on the delivery of the Board's strategic objectives. While each proposal has included a description, risks/impacts and forecast savings, an agreed reporting frequency for each has not been included.</p> <p>Without an agreed schedule of reporting, there is a risk that the Board is not being notified with appropriate regularity of the progress and performance on recovery plans, and assurances received that they remain relevant and able to deliver the anticipated savings.</p>		<b>Medium</b>	<b>3.1 Management should ensure that an agreed reporting frequency around the progress of the Recovery Schemes is agreed with the Board</b>

### Management response

**3.1 – Agreed. A schedule for reporting progress of the Recovery Schemes will be agreed with the Board. This will be aligned with the routine financial reporting that is currently in place, alongside more detailed reports prepared for the Board each quarter.**

### Responsible officer & target date

**Chief Finance Officer – 31 March 2025**



# 4 Detailed Recommendations

## Reporting to the Board

Objective: 3	Arrangements are in place for the routine reporting of progress against Financial Recovery Plans to the Board and its associated Committees	Grade	Recommendation
<p>At the meeting of the IJB on the 28 March 2024, the Interim Chief Finance Officer advised the Board that all the planned efficiencies would be monitored in year and a report brought to the IJB in September.</p> <p>Review of the September report to the Board had noted that while the original intention from the March Board meeting was to present a more detailed recovery plan monitoring report, the Quarter 1 Finance Update to the meeting had instead noted that the IJB continued to review its five-year financial plan. The Board were advised that there remained a further range of financial risks which have not yet crystallised but require to be recognised at this time, including a deterioration in the out-turn financial forecast between quarter 1 and month 4. While work was underway to identify the driver behind this it was noted that the financial position in 2024/25 may deteriorate.</p> <p>A further IJB Finance Development Session was held on the 5 September 2024 to update the IJB on the progress of the Recovery Schemes. The CFO had intended to report this in detail at the September meeting, as intended, however this had been overtaken by events, with the intention now to use the December IJB to do this.</p> <p>Without routine and detailed reports around the performance of the recovery plans, there is a risk that the Board is unable to consider the financial performance of the plans against target, alongside any impact on the delivery of the Board’s strategic objectives.</p>		<b>Medium</b>	<p><b>3.2 Management develop detailed monitoring reports on the progress of the recovery plans, following the schedule of reporting agreed with the Board.</b></p> <p><b>These should, in addition to the financial performance of the plans, include performance of the operational objectives of the scheme and assurances around the ongoing delivery of the Board’s strategic objectives.</b></p>

Management response	Responsible officer & target date
<p><b>3.2 – Agreed. The content, including the level of detail required in the recovery plan reports will be agreed with the Board and used as a set template going forward. A future date will also be set to review the effectiveness and appropriateness of the reports, adjusting the template/content as necessary and following agreement with the Board</b></p>	<p><b>Chief Finance Officer – 31 March 2025</b></p>

# A Recommendation Grading/Overall opinion definitions

Recommendation	Definition
<b>High</b>	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.