



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

**TUESDAY 3 DECEMBER 2024
VIA DIGITAL MEETINGS SYSTEM**

1

Committee Members Present:

Dr P Cantley
Councillor J Findlay
Ms E Gordon
Councillor L Jardine (Chair)

Officers Present:

Mr D Hood
Mr D King
Mr D Stainbank
Ms F Wilson

Other Attendees:

Mr J Boyd, Audit Scotland

Clerk:

Ms F Currie

Apologies:

None

Declarations of Interest:

None

The clerk welcomed everyone to the meeting which is being held remotely and would be made available as a webcast via the Council's website in order to allow the public access to the democratic process in East Lothian. East Lothian Council and NHS Lothian were data controllers under the Data Protection Act 2018. Data collected as part of the recording would be retained in accordance with the Council NHS Lothian's policies on record retention, and the webcast of the meeting would be publicly available for up to six months.

The clerk confirmed the attendance of Committee members by roll call.

1. MINUTES OF THE EAST LOTHIAN IJB AUDIT AND RISK COMMITTEE MEETING OF 24 SEPTEMBER 2024 (FOR APPROVAL) AND MATTERS ARISING

The minutes of the East Lothian IJB Audit and Risk Committee meeting held on 24 September 2024 were approved. There were no matters arising.

2. ELIJB ANNUAL AUDIT REPORT 2023/24

John Boyd, Audit Scotland, (the IJB's Appointed Auditor) presented the draft annual audit report for 2023/24. He highlighted the main areas of the audit work, including financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes for the year ended 31 March 2024. He also confirmed that he intended to issue an unqualified audit opinion, adding that the draft accounts were of good standard and had required minimal changes. He thanked all finance colleagues for their assistance during the audit work. He said that although the audit work had been completed later than the statutory timeframe required, there were plans in place to bring future audit work back into line with the end September deadline.

Mr Boyd also drew attention to the key challenges facing the IJB as outlined in the report, including financial sustainability and the importance of the IJB working with its two key partners to set the strategic direction for delivery of sustainable services. He noted that while the IJB had performed strongly, aspects of performance reporting could be improved. He was also mindful that the IJB had yet to adopt a Best Value framework, but he recognised that there were plans in place to do so in new future.

Mr Boyd responded to a question from the Chair on outstanding recommendations from the previous year's audit report. He drew attention to the actions set out in the appendix to this year's report which had recognised that while some work was underway, there remained a level of residual risk attached to those areas where actions had yet to be concluded. He provided a couple of examples and indicated that it was for the IJB to decide if it was comfortable with the level of risk and actions taken.

David King acknowledged that there were significant pressures across the system and referred to the report on the NHS in Scotland, published earlier in the day by Audit Scotland, which referred to a number of these challenges. He said that the IJB had worked hard to ensure that it clearly understood these issues.

Fiona Wilson added that continual monitoring and review of risk registers ensured that understood the impacts on its partners, and regular conversations with staff and other management groups in both NHS Lothian and East Lothian Council, and development sessions with IJB members, supported information sharing and development of future plans.

The Chair noted that it was a very complex working environment and that the IJB was not always in control of all of the elements. She thanked Mr Boyd for the report and Mr King for his assistance.

Decision

The Committee agreed to note the contents of the report.

3. 2023/24 AUDITED ANNUAL ACCOUNTS

A report was submitted by the Interim Chief Finance Officer presenting the IJB's annual accounts for 2023/24.

Mr King presented the report. He reminded members of the process for preparing and publishing the draft accounts and submitting for review by the external auditors. He confirmed that all audit recommendations had been accepted by management and that the accounts now included the auditors' report. He explained that he was seeking approval from the Committee today to allow the annual accounts to be formally signed by himself, the Chief Officer and Chair of the IJB, before he left his post on 6 December. He would then prepare a report for the IJB's meeting later in the month informing members of the outcome.

Elizabeth Gordon asked whether the Committee could leave itself open to criticism for taking this decision on behalf of the IJB, and whether the auditors supported this arrangement.

Mr King said he was aware that, similar to Councils, some IJBs had arrangements in place for their audit committees to approve their annual accounts. East Lothian IJB had previously put this arrangement in place at least once, but he had not sought advance agreement from the IJB on this occasion.

Duncan Stainbank confirmed that the remit of scrutiny bodies could include the consideration and approval of financial statements. However, he was not clear if this was the case here.

Mr Boyd confirmed the process for Councils was slightly different to that of health bodies, where the annual accounts would usually go to Board, however, he acknowledged that there was a mix of practice in place.

The Chair asked Mr King or Mr Stainbank to review the Committee's terms of reference and the financial regulations to confirm if the Committee had the delegated authority to approve the accounts today. In the meantime, she would continue to invite questions from members.

Mr King replied to further questions from Councillor Findlay on the references to short term debtors. David Hood responded to questions from the Chair on care pathways, providing further detail of patient feedback arrangements in place for the CWIC service. Ms Wilson provided further information on the impact of the carer's strategy and on gathering information on population health for modelling and financial planning.

In response to the Chair's earlier request Mr Stainbank provided guidance on the Committee's authority to approve the annual accounts. He confirmed that the IJB had previously agreed to delegate authority to the Committee for approval of the accounts, and that without such delegated authority the IJB must approve the annual accounts. He stated that delegated authority had not been sought in this case.

Mr Boyd suggested that a possible solution would be to seek either approval of the accounts or approval to delegate authority to the Committee from the IJB members via e-mail.

A brief discussion followed, and it was agreed that an e-mail would be sent to the IJB members asking them to give delegated authority to the Committee to approve the annual accounts. Effectively, confirming the decision of the Committee to approve the accounts.

The clerk advised that, in light of this, recommendation (ii) of the report would require an amendment to recognise that the Committee's approval of the accounts would be subject to the agreement of the IJB members.

Councillor Findlay proposed the amendment, and this was seconded by Ms Gordon.

The Chair moved to the roll call votes, firstly on the amendment to recommendation (ii), and then on the report recommendations. The amendment was approved unanimously. The Committee then considered the report recommendations, as amended, and these were also approved unanimously.

Decision

The Committee:

- i. Noted the Independent Auditors review of the IJB's Annual Accounts; and
- ii. Approved the IJB's 2023/24 Annual Accounts, subject to the agreement of the IJB members.

POST MEETING NOTE: The members of the IJB were contacted via e-mail following the meeting and approval was granted unanimously by the voting members.

4. QUARTER 3 RISK REGISTER

A report was submitted by the Interim Chief Finance Officer presenting the quarter 3 risk register for the IJB.

Mr King presented the quarterly update report and outlined recent updates to the risk register. He drew attention to his imminent departure and that from 7 December the post of Chief Finance Officer (CFO) would be vacant. He advised that detailed conversations had been taking place with the IJB's partners on how to move forward. However, he invited members to consider the potential risks associated with this situation and whether it should be included as a separate risk on the register.

Ms Wilson provided an update to members on the current position confirming that an advert for a full time CFO post for East Lothian IJB had been published. In the meantime, advice had been sought from the partners on the specific section 95 responsibilities and legal requirements of the role and how this might impact on recruitment. A report on the CFO situation would be presented to the IJB at its meeting later in the month.

Both the Chair and Ms Gordon acknowledged that the temporary absence of a CFO was not an ideal situation, however the update on recruitment was a positive step forward. Both agreed that this should be added to the register as a separate risk to reflect the potential seriousness of the post remaining unfilled. The Chair added that Ms Wilson should continue to make the case with the partners for matters to be resolved as soon as possible.

Ms Wilson reported that officers from the Council had suggested pursuing a temporary solution through the use of agency staff. This option would require further exploration but might help to mitigate the risk in the short-term.

Councillor Findlay asked if there would be a time limit around any temporary appointment. Ms Wilson indicated that it would be fixed and probably tied in with the timeframe for recruitment of a permanent appointment. She added that this would be reviewed as things progressed and that any temporary appointee would have to meet the specified requirements of the role.

Mr King said he would update the risk register as agreed. He also invited members to consider whether any changes were required to the risk relating to the National care Service (NCS). Previously, members had agreed that the proposals would have had a considerable impact on the IJB's resources, however, the Scottish Government had recently paused progress with the NCS Bill. He invited members' views on how this should be reflected in the register.

Ms Gordon felt that the risk should remain on the register but should be updated to reflect the uncertainty and potential to disrupt future planning by the IJB. She also questioned whether the risk level should be revised.

The Chair agreed saying that it was the uncertainty around what might happen, rather than the impact of any impending change, that was of greatest concern.

Mr King suggested that the risk remain on the register with the wording amended as discussed, and it would be reviewed again in March 2025.

Mr Hood advised members that the level of the risks relating to financial reporting and resourcing challenges had also been the subject of discussion at the recent quarterly review. He said that the levels reflected the seriousness of the financial challenges. He also referred to previous conversations at the Committee about the accuracy of financial reporting. He said that a huge amount of work had been undertaken on all sides and financial reporting was now in a much better place. Nevertheless, the ongoing financial challenges, along with the imminent departure of the Interim CFO, meant that this remained a live risk. He said that the overall view had been that the risk relating to accurate financial reporting should remain on the register as a 'medium' risk and be reviewed in six months.

Mr King agreed that the quality of financial reporting information had improved significantly but the loss of a CFO meant that the IJB had temporarily lost the ability to fully interpret this information. He agreed that the risk should remain on the register.

Ms Gordon also agreed with this assessment and suggested a change to the wording to reflect that, without a CFO, the IJB lacked the ability to fully interpret financial reporting data. She also queried whether this issue should sit within the financial risk or the CFO risk.

The Chair pointed out that the way that the Council worked, in term of financial reporting and planning, was very different to the way health boards worked, and both were very different from private sector organisations. This could be a challenge for an agency person depending on their experience. She agreed that the principle of having a sufficiently informed CFO was worth investigating.

The Chair invited members to note the contents of the risk register, with the inclusion of a specific risk related to the Chief Finance Officer vacancy.

Decision

The Committee:

- i. Noted the updates made to the register since the last meeting; and
- ii. Agreed to add an additional risk to the register regarding the Chief Finance Officer vacancy.

5. QUARTERLY INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP

A report was submitted by the Chief Internal Auditor informing the Committee of the Internal Audit work undertaken during 2024/25 to follow-up on the recommendations made in previous Internal Audit work.

Mr Stainbank presented the report. He drew members’ attention to the details of recommendations completed and not yet completed which were set out in the report, along with revised dates for completion. He advised that a further update would be provided in due course.

There were no questions from members.

The Chair thanked Mr Stainbank for the report and said she looked forward to receiving a further update in due course.

Decision

The Committee agreed to note the follow-up work undertaken and the revised timescales for the recommendations that have not yet been completed.

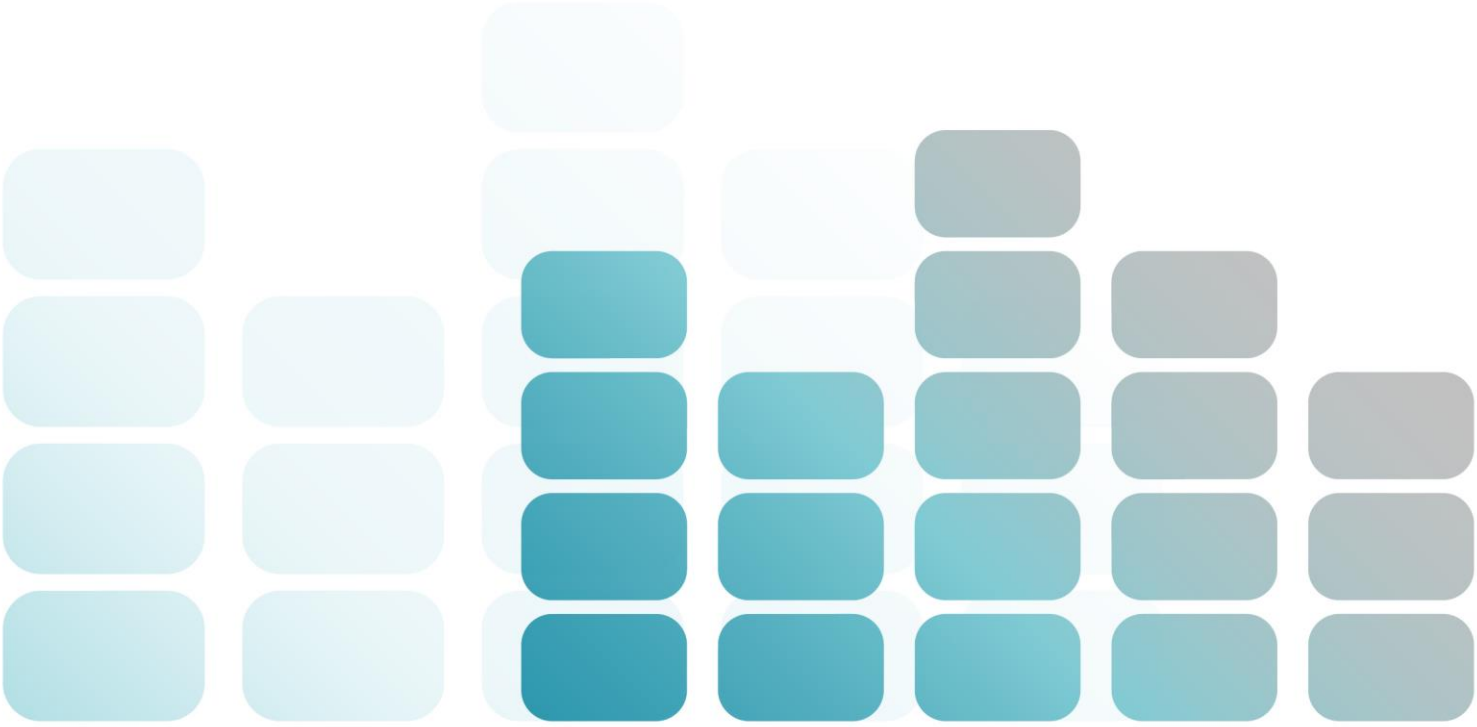
Signed:

Councillor Lyn Jardine
Chair of the East Lothian IJB Audit and Risk Committee

East Lothian Integration Joint Board

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Annual Audit Plan 2024/25



Prepared for East Lothian Integration Joint Board
March 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of East Lothian Integration Joint Board's (East Lothian IJB's) annual accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. John Boyd, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of East Lothian IJB for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. John Boyd and the audit team are independent of East Lothian IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of East Lothian IJB to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, including the Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report.
- Conclusions on East Lothian IJB's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on East Lothian IJB's arrangements for securing Best Value.
- A review of East Lothian IJB's arrangements for preparing and publishing statutory performance information.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of East Lothian IJB and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on East Lothian IJB's arrangements in place for the wider scope areas.

East Lothian IJB's responsibilities

8. East Lothian IJB has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of East Lothian IJB are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for East Lothian IJB

| Materiality | Amount |
|--|----------------|
| Materiality – based on an assessment of the needs of users of the financial statements and the nature of East Lothian IJB's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark. | £4.548 million |
| Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality. | £3.411 million |

| Materiality | Amount |
|---|---------------|
| Reporting threshold – all misstatements greater than the reporting threshold will be reported. | £227 thousand |

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of East Lothian IJB, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to East Lothian IJB and those charged with governance, where relevant.

16. As set out in International Standard on Auditing (UK) 240: The auditor's responsibilities relating to fraud in an audit of financial statements, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2024/25 as, while the possibility of fraud exists, we do not judge it to be a significant risk due to the revenue streams coming from the partner bodies of NHS Lothian and East Lothian Council as there is limited opportunity or incentive for misstatement.

17. In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Due to the nature of East Lothian IJB's expenditure, being the commissioning of services from partner bodies, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2024/25 on the basis there is limited opportunity or incentive for misstatement.

18. Assurances over the accuracy and completeness of IJB transactions will be obtained from the auditors of East Lothian Council and NHS Lothian. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures

Exhibit 2

Significant risks of material misstatement to the financial statements

| Risk of material misstatement | Planned audit response |
|---|---|
| <p>Fraud caused by management override of controls</p> <p>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>The audit team will:</p> <ul style="list-style-type: none"> • Agree balances and transactions to East Lothian Council and NHS Lothian financial reports/ledger/correspondence. • Assurances will be obtained from the auditors of East Lothian Council and NHS Lothian over the completeness, accuracy and allocation of income and expenditure. • Review of significant adjustments at year end where we consider there to be greatest risk of material misstatement through management override of controls. • Review financial monitoring reports during the year. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. |

Source: Audit Scotland

Other areas of audit focus

19. As part of our assessment of audit risks, we have not identified any other areas of specific audit focus.

Key audit matters

20. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Wider scope and Best Value

Introduction

22. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on East Lothian IJB being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering East Lothian IJB's medium- to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering East Lothian IJB's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

23. A conclusion on the effectiveness and appropriateness of arrangements East Lothian IJB has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Best Value

24. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies

to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973.

25. Consideration of the arrangements East Lothian IJB has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements East Lothian IJB has in place will be reported in the Annual Audit Report.

Wider scope and Best Value risks

26. The risk assessment process has identified risks in the wider scope areas as outlined in Exhibit 3, and this includes the planned audit procedures in response to the risks.

Exhibit 3 Wider scope and Best Value risks

| Description of risk | Planned audit response |
|--|--|
| <p>1. Financial sustainability</p> <p>The 2024/25 Q3 financial position shows a projected overspend for the year of around £3.5m with some savings planned for 2024/25 expected to be delivered in 2025/26.</p> <p>The latest Financial Plan 2024/25 -2028/29 shows the IJB facing significant and increasing overspends against forecast budgets for the current year onwards.</p> <p>The IJB continues to be faced with significant financial challenges, and with having to make difficult decisions for the foreseeable future.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> • Review financial plans developed and assess the appropriateness of the financial plans and any assumptions made. • Assess if financial plans developed are aligned to East Lothian IJB's Strategic priorities. • Review financial monitoring reports to assess the financial position, including progress of partner bodies in achieving planned savings. • Review controls in place and updates to financial plans to assess financial sustainability. |

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

27. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to East Lothian IJB and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to East Lothian IJB and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

28. The matters to be reported in the outputs will be discussed with East Lothian IJB for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual accounts.

29. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the annual accounts, which is 30 September 2025 for local government bodies.

30. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2025.

Audit timetable

31. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 4](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with East Lothian IJB and reported to those charged with governance, where required.

Exhibit 4

2024/25 audit timetable

| Audit activity | East Lothian IJB target date | Audit team target date | Relevant Board/Committee date |
|--|------------------------------|------------------------|-------------------------------|
| Issue of Annual Audit Plan | N/A | 11 March 2025 | 18 March 2025 |
| Annual accounts: | | | |
| <ul style="list-style-type: none"> Consideration of unaudited annual accounts by those charged with governance | 30 June 2025 | N/A | 26 June 2025 |
| <ul style="list-style-type: none"> Submission of unaudited annual accounts and all working papers to audit team | 30 June 2025 | N/A | N/A |
| <ul style="list-style-type: none"> Latest date for audit clearance meeting | 15 September 2025 | 15 September 2025 | N/A |
| <ul style="list-style-type: none"> Agreement of audited and unsigned annual accounts | 18 September 2025 | 18 September 2025 | N/A |
| <ul style="list-style-type: none"> Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report | N/A | 18 September 2025 | 25 September 2025 |
| <ul style="list-style-type: none"> Approval by those charged with governance and signing of audited annual accounts | 25 September 2025 | N/A | 25 September 2025 |
| <ul style="list-style-type: none"> Signing of Independent Auditor's Report and issue of Annual Audit Report | N/A | 30 September 2025 | N/A |

Source: Audit Scotland

Audit fee

32. East Lothian IJB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is set out in [Exhibit 5](#).

33. In setting the audit fee, it is assumed that East Lothian IJB has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned

scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Exhibit 5

Audit fee (including VAT)

| Fee component ¹ | Fee (£) |
|--|---------------|
| External auditor remuneration | 37,670 |
| Pooled costs, such as travel and subsistence costs | 950 |
| Contribution to the performance audit programme | 7,230 |
| Adjustment for average audit price increase | (11,850) |
| Total 2024/25 fee | 34,000 |

Source: Audit Scotland

¹ Information on the components that make up the total fee can be found in Audit Scotland's [Audit management and quality guidance](#).

Other matters

Internal audit

34. East Lothian IJB is responsible for establishing an internal audit function as part of an effective system of internal control. East Lothian IJB's internal audit function is provided by the internal audit team of East Lothian Council.

35. While we are not planning to place formal reliance on the work of internal audit in 2024/25, we may consider aspects of internal audit's work in respect of our wider audit dimension responsibilities.

Audit quality

36. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

37. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

38. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute

of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

39. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

40. Audit Scotland may periodically seek the views of East Lothian IJB on the quality of audit services provided. The audit team would also welcome feedback at any time.

East Lothian Integration Joint Board

Annual Audit Plan 2024/25



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit.scot
www.audit.scot

REPORT TO: East Lothian IJB Audit & Risk Committee

MEETING DATE: 18 March 2025

BY: Chief Finance Officer

SUBJECT: 2024/25 Risk Register Review

3

1 PURPOSE

- 1.1 The purpose of the report is to update the Audit & Risk Committee on the status of the current IJB Risk Register and discuss any proposed changes.

2 RECOMMENDATIONS

- 2.1 The IJB is asked to:
- i. Note the updates to the risk register since the last meeting.
 - ii. Consider if any further risks should be added to the register.

3 BACKGROUND

- 3.1 The Risk Register is a key part of the governance processes underpinning the work of the IJB. It records risks that impact on the business of the IJB and the controls in place to manage each risk.
- 3.2 The risk register was last reviewed in November 2024 and reported in early December to this committee. There are 7 risks noted on the register with 3 set at Very High, 3 set at High and 1 Medium risk. Any changes to the risks reported are noted below for consideration.
- 3.3 Risk 5959 Appointment of a permanent CFO – a permanent CFO was appointed in early January 2024 following a competitive recruitment process. This Very High risk can now be removed from the register.
- 3.4 Risk 3925 Impact of National Care Service proposals – it was noted at the last meeting that there was a suggestion that the Bill was to be postponed further, however the risk was to remain at high. Recent communications from SG indicate their intention to progress with the Bill,

in an amended form which removes the planned legislation to reform IJBs. An advisory board will be established to guide ministers on reforming then sector. The Committee should consider reducing this risk to Medium.

- 3.5 The remaining 2 risks with Very High ratings relate to the insufficiency of financial and operational resources to deliver the Strategic Plan. These risks remain Very High beyond 2025/26, and significant planning will be required to mitigate these risks down.
- 3.6 The remaining High categorised risks relate to demographic pressures and the impact of Partners decisions. The population of East Lothian is projected to continue to rise, and Partners continue to review and prioritise their service delivery models in relation to balancing their financial position so these risks should remain at a High categorisation.
- 3.7 The risk relating to accurate financial forecasting has a Medium setting and should remain as such as we work to align and improve the timing and flow of financial information with Partners.

4 ENGAGEMENT

- 4.1 The IJB holds its meetings in public and makes its papers publicly available.

5 POLICY IMPLICATIONS

- 5.1 There are no policy implications in this report.

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 There are no new directions nor amendments to then current directions required by this report.

8 RESOURCE IMPLICATIONS

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

9 BACKGROUND PAPERS

- 9.1 None

Appendix: Extract of Risk Register

| | |
|----------------------|--|
| AUTHOR'S NAME | Michael Porteous |
| DESIGNATION | Chief Finance Officer |
| CONTACT INFO | Mike.porteous@nhslothian.scot.nhs.uk |
| DATE | March 2025 |

| ID | Risk Owner Handler | Title | Description | Controls in place | Risk level (current) | Risk level (Target) | Date Opened | Date Risk Reviewed | Review date | Close Date |
|------|--------------------------------|---|--|---|----------------------|---------------------|-------------|--------------------|-------------|------------|
| 5486 | Wilson, Fiona M King, David | Accurate financial forecasting | There is a risk we don't get sufficient accurate financial forecasting from the systems in place. Monitoring in place while things progress over the year | 1 - The Scheme of Integration 2 - Recruitment for permanent IJB CFO in progress 3 - Monthly financial reporting 4 - Attendance at Financial Overview | Medium | Medium | 18/11/2022 | 27/11/2024 | 26/02/2025 | |
| 5959 | Wilson, Fiona M King, David | Appointment of a permanent CFO | Legislatively (and practically) the IJB cannot function without a CFO and given that the IJB is a bit of an esoteric organisation then not only does the IJB require a permanent person but also someone with the appropriate background (or keenness to learn it). | Recruitment campaign underway to find a suitable candidate | Very High | Medium | 27/11/2024 | 27/11/2024 | 26/02/2025 | |
| 5220 | Wilson, Fiona M Hood, David | Demographic Pressures | There is a risk that because the population of East Lothian has increased over the past few years, the projections predict a further increase. Because of this the pressure is further compounded in that the percentage of that population over the age of 65 will also increase from the current position. This will lead to increased demand for the health and social care services in East Lothian that have been delegated to the IJB. | This will be managed through the IJB's Strategic Planning processes. Change boards should be operating with recognition of demographic changes within the area. Commissioned Cap Gemini to access future demand on care at home services. Closer links with public health to understand our demographics better. | High | Medium | 20/08/2021 | 27/11/2024 | 26/02/2025 | |
| 3924 | Wilson, Fiona M King, David | Financial resources may be insufficient to sustain the Strategic Plan | There is a risk that the financial challenges faced by the NHS and East Lothian Council will result in allocations to the IJB that do not allow the Strategic Plan to be delivered leading to sub optimal the failure to achievement of outcomes and targets. 2024/25 budget offers from partners accepted by IJB at March 2024 meeting | 1. Financial assurance process carried out by IJB 2. Engagement of IJB Officers and members in NHS and Council budget setting processes 3. Regular financial monitoring reports to IJB 4. Scheme of Integration risk sharing and dispute resolution processes 5. IJB Chief Finance Officer in post 6. Strategic Planning Group in place 7. Efficiency and recovery plans are developed in year by operational teams to "break even". 8. There is a programme of meetings and discussion between IJB, Council and Health Board leading to an IJB financial planning process being approved by the IJB and supported by Council and Health Board 9. The IJB take a lead role in policy decisions to support the Financial Plan. 10. Developed a longer term rolling financial plan for the IJB. 11. IJB now holds a general reserve. 12. IJB set a balanced budget at its March 2024 meeting. 13. Regular reports will be presented to the IJB updating the financial position in year. | Very High | High | 26/02/2016 | 27/11/2024 | 26/02/2025 | |
| 5279 | Wilson, Fiona M King, David | Impact of National Care Service Proposals | The IJB is mindful of the development of the NCS legislation and the impact this may have, along with the uncertainty around this proposal. | | High | High | 29/11/2021 | 27/11/2024 | 26/02/2025 | |
| 4018 | Wilson, Fiona M Hood, David | Impact of Partners' Decisions | There is a risk that Partners reach decisions on priorities and services (including service reviews) that impact negatively on the IJB leading to an inability to deliver the Strategic Plan Due to the financial position, the impact of decisions being made could have a negative impact on delivery of the strategic plan. | 1. Involvement of IJB membership in the Partners' decision making process including voting members and Officers 2. Involvement in Partners' service reviews 3. Good working relationships and regular formal /informal meetings 4. Participation in MSG self-evaluation to inform improvement actions for better partnership working. 5. Attendance and participation at the NHSL Board meetings 6. Attendance and participation at governance meetings 7. Directions agreed for 2024/25 IJB at the July 2024 meeting. | High | Medium | 17/06/2016 | 27/11/2024 | 26/02/2025 | |
| 3925 | Wilson, Fiona M King, David | Operational resources may be insufficient to deliver the Strategic Plan | There is a risk that the IJB fails to achieve its targets due to insufficient access to key services and resources e.g. General Practice, Community Pharmacy, Care at Home, Care Homes, Health Visiting, Housing, acute services, MH etc leading to failure to deliver the Strategic Plan resulting in risk to patients' and clients' safety, external review and reputational damage | 1. The Strategic Plan sets out clear priorities 2. IJB directions are clear about actions required by NHS and Council 3. The Partnership Management Team is focused on ensuring adequate resources are in place for delegated functions to deliver the Strategic Plan 4. NHS Lothian is focused on ensuring adequate resources are in place for set-aside and hosted functions to deliver the Strategic Plan 5. NHS Lothian and East Lothian Council are focused on ensuring adequate resources are in place for non-delegated but related functions (e.g. housing), to deliver the Strategic Plan 6. Quarterly Performance Report to IJB and scrutiny by the Audit and Risk Committee. 7. Care at Home contracts in place. 8. Use of Integrated Care Fund to increase capacity and improve terms and conditions. 9. Joint Workforce Plan approved and in place at IJB on 23/5/19. 10. Financial investment in additional capacity | Very High | Medium | 26/02/2016 | 27/11/2024 | 26/02/2025 | |



REPORT TO: East Lothian IJB Audit & Risk Committee

MEETING DATE: 18 March 2025

BY: Chief Internal Auditor

SUBJECT: Internal Audit Plan 2025/26

4

1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of Internal Audit's operational plan for 2025/26.

2 RECOMMENDATIONS

- 2.1 The Audit and Risk Committee is asked to approve the Audit Plan for 2025/26.

3 BACKGROUND

- 3.1 The annual audit plan has been prepared in accordance with Global Internal Audit Standards (GIAS) as modified by the Public Sector Application Note.

- 3.2 In preparing the annual audit plan a range of factors have been taken into account, including:

- The Public Bodies (Joint Working) (Scotland) Act 2014, which sets out the framework for integrated adult health and social care services
- The Integration Scheme
- The IJB Strategic Plan 2022-2025
- The IJB risk register in place
- Changes in service delivery

- 3.3 Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the IJB's governance, operations and information systems, regarding the:

- Achievement of the IJB's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.4 The provision of the Internal Audit service is by East Lothian Council's Internal Audit Unit in partnership with the NHS Lothian Internal Audit team. Internal Audit in NHS Lothian has recently been retendered for with a change of supplier from Grant Thornton LLP to BDO LLP, it has been anticipated that the same arrangements will apply to use of NHS Lothian Internal Audit team resources, this will be confirmed following management discussions.
- 3.5 Internal Audit will adopt a risk-based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis.
- 3.6 For each individual audit, a detailed audit report will be prepared for the IJB Chief Officer and copies of the audit report will be provided to External Audit and to members of the IJB Audit and Risk Committee.
- 3.7 Audit reports will highlight areas where expected controls have been met and areas where there is scope for improvement. The reports will contain detailed recommendations and record management responses to the recommendations.
- 3.8 Follow-up of all recommendations will be carried out, and formal follow up reviews completed for all reports graded limited or no assurance.
- 3.9 An Annual Internal Audit Opinion and Report will be prepared at the end of the financial year, outlining:
- A statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that support the statement.
 - An opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control together with a summary of the work supporting the opinion.
- 3.10 The detailed Audit Plan for 2025/26 is attached as Appendix A

4 ENGAGEMENT

- 4.1 The Audit Plan has been discussed with Management, but does 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

| | |
|----------------------|-------------------------------|
| AUTHOR'S NAME | Duncan Stainbank |
| DESIGNATION | Chief Internal Auditor |
| CONTACT INFO | dstainbank@eastlothian.gov.uk |
| DATE | 28 February 2025 |

APPENDIX A**AUDIT PLAN 2025/26**

| AUDITABLE AREAS | SCOPE OF THE AUDIT | INTERNAL AUDIT ASSESSED RISK | WEEKS |
|------------------------------|---|-------------------------------------|----------------|
| Financial Planning | Internal Audit will review the processes in place to Develop a medium term financial strategy that aligns with the IJB strategic Planning process. | High | 6 |
| Participation and Engagement | Internal Audit will review the processes of ensuring participation and engagement with the community and specific stakeholder groups.. | Medium | 4 |
| Shifting the Balance of Care | The NHS Lothian Internal Audit team will review the processes in place to develop strategies for shifting the balance of care ti community settings and how the IJB has reflected this in financial and strategic reporting and reported against projects undertaken. | High | NHS Audit Team |
| Follow-up Audits | Internal Audit will follow-up on previously issued audit reports to ensure that recommendations made have been implemented by Management. | Low | 2 |
| Other Audit Work | Time has been allocated for other audit work including the preparation of the audit plan, self-assessment against the Global Internal Audit Standards and the preparation of the annual internal audit opinion and report and the preparation of the Annual Governance Statement. | Low | 3 |



REPORT TO: East Lothian IJB Audit & Risk Committee
MEETING DATE: 18 March 2025
BY: Chief Internal Auditor
SUBJECT: Internal Audit Report – Recovery Plan Monitoring

5

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

| | |
|----------------------|-------------------------------|
| AUTHOR'S NAME | Duncan Stainbank |
| DESIGNATION | Chief Internal Auditor |
| CONTACT INFO | dstainbank@eastlothian.gov.uk |
| DATE | 11 March 2025 |

East Lothian IJB Recovery Plan Monitoring February 2025

Conclusion

Reasonable Assurance

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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> | | Medium | 3.1 Management should ensure that an agreed reporting frequency around the progress of the Recovery Schemes is agreed with the Board |

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> | | Medium | <p>3.2 Management develop detailed monitoring reports on the progress of the recovery plans, following the schedule of reporting agreed with the Board.</p> <p>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.</p> |

| Management response | Responsible officer & target date |
|--|---|
| <p>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</p> | <p>Chief Finance Officer – 31 March 2025</p> |

A Recommendation Grading/Overall opinion definitions

| Recommendation | Definition |
|----------------|---|
| High | 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. |
| Medium | Recommendations which will improve the efficiency and effectiveness of the existing controls. |
| Low | Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency. |

| Levels of Assurance | Definition |
|------------------------------|--|
| Substantial Assurance | 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. |
| Reasonable Assurance | 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. |
| Limited Assurance | 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 |
| No Assurance | 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. |

REPORT TO: East Lothian IJB Audit and Risk Committee

MEETING DATE: 18 March 2025

BY: Chief Internal Auditor

SUBJECT: Internal Audit Update of NHS Lothian Internal Audit Reports

6

1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of the recently issued audit reports relevant to IJB Governance, Internal Control and Risk Management processes submitted to the NHS Lothian Audit & Risk Committee.

2 RECOMMENDATION

- 2.1 That the Audit and Risk Committee note the contents of the audit report and consider any risk management implications.

3 BACKGROUND

- 3.1 The NHS Lothian Internal Audit team reports key audit findings, conclusions and recommendations to the NHS Lothian Audit & Risk Committee. Some of this internal audit work will provide assurances that should be considered by the East Lothian IJB.
- 3.2 All audit reports are available publicly for review on the NHS Lothian website.
- 3.3 One audit review is considered appropriate to bring to the attention of the East Lothian IJB Audit & Risk Committee, being the Audit Review of Risk Management (Appendix 1) issued in October 2024. This review was provided with Moderate Assurance grading, the report is being presented to the Audit & Risk Committee for consideration specifically of Recommendations 2 and 3 on pages 8 and 9 of the report. These recommendations relate to the Datix system on which East Lothian IJB manages its risk register and risk reporting. Consideration should be given to any impact to the East Lothian IJB from the these findings.

4 ENGAGEMENT

- 4.1 Engagement with management will have been undertaken in accordance with the procedures in place for the relevant Internal Audit team.

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

| | |
|----------------------|-------------------------------|
| AUTHOR'S NAME | Duncan Stainbank |
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| CONTACT INFO | dstainbank@eastlothian.gov.uk |
| DATE | 7 March 2025 |

NHS Lothian

Internal Audit 2024/25

Risk Management

October 2024

FINAL REPORT

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This report is confidential and is intended for use by the management and directors of NHS Lothian. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of NHS Lothian's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



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Report Distribution

Executive Lead:

- Tracey Gillies, Medical Director

For action:

- Jill Gillies, Associate Director of Quality

For Information:

- Caroline Hiscox - Chief Executive
- Craig Marriott - Director of Finance
- Audit and Risk Committee

Executive summary



Background

Corporate risks are uncertainties or potential events that could negatively impact the achievement of an organisation's objectives at a strategic level. These risks can arise from various sources and affect different aspects of the organisation's operations. Corporate risks can range from operational and compliance risks to financial and technological risks.

NHS Lothian has a Risk Management Policy which highlights that the Corporate Management Team is responsible for directing the application of the policy through operational management structures, while the Audit and Risk Committee is responsible for assurance on the overall system of risk management and overseeing all risks on the corporate risk register. Each corporate risk is assigned to a named Executive Lead who is responsible for overseeing the management and mitigation of that risk. Each risk is assigned to a relevant committee or committees of the Board for assurance, in line with the committee's' terms of reference.

The purpose of the internal audit is to provide assurance on the internal controls relating to the management and mitigation of corporate risks. This will be achieved by selecting a sample of three corporate risks, each reported through different oversight committees. The audit will assess the design and application of controls for assessing, mitigating, and monitoring these risks to ensure that any impact on NHS Lothian's objectives is minimised.



Objectives

The objective of this review is to provide an independent assessment of the design and operational effectiveness of NHS Lothian's corporate risk management arrangements. Our review focussed on the following potential risk areas:

- Inadequate policies and documentation may lead to ineffective risk management practices and regulatory non-compliance.
- Poor risk assessment processes could result in the failure to identify significant risks or improper resource allocation.
- Insufficient documentation of gaps and mitigations can lead to incomplete risk management efforts, preventing the Board from obtaining a comprehensive understanding of the risk landscape.
- Ineffective mitigation controls may lead to insufficient risk reduction, exposing the organisation to unacceptable levels of risk.
- Ineffective risk management may result if risk handlers and owners do not collaborate and work together effectively.
- Inadequate monitoring and reporting processes at committee level can result in a lack of appropriate risk management oversight.

Executive summary



Limitations in scope

Please note that our conclusion is limited by scope. It is limited to the risks outlined above. Other risks exist in this process which our review and therefore, our conclusion has not considered. Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing.

This report does not constitute an assurance engagement as set out under ISAE 3000.



Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

Headline messages



Conclusion

Moderate Assurance

We have reviewed the processes and controls around Risk Management with a focus on the Corporate Risk Register and have concluded that the processes have provided a **MODERATE LEVEL OF ASSURANCE**. This was confirmed through testing in specific areas of the organisation and through discussions with various individuals across the organisation.

We have provided 'Moderate Assurance' based on our findings, indicating that the controls upon which the organisation relies are suitably designed and, in most cases, effectively applied. However, a moderate amount of residual risk remains. We have reported by exception against the areas where we consider that Management and the Audit and Risk Committee should focus their attention.

Our internal audit of NHS Lothian's risk management processes identified that NHS Lothian made revisions to the Risk Management Policy and its associated Risk Management Operational Procedure in April 2023. However, there are opportunities to further enhance the governance arrangements in place to ensure the roles and responsibilities of sub-Committees and risk handlers are clearly defined and communicated.

Additionally, there are opportunities to strengthen the Assurance Report and Risk Mitigation Plan template to ensure consistent reporting, expanding the risk descriptions to ensure these are fully defined and setting out how each risk aligns to the relevant underlying corporate strategic objectives.

In a previous internal audit during the 2023/24 financial year, it was noted that there was opportunities to enhance the Datix reports as these are inadequate for managing risks effectively and reports do not include all the expected information, and this is still valid. We recognise that discussions are ongoing around Datix and if this will be replaced moving forward.

Three key weaknesses were identified, resulting in medium risk recommendations. This noted that the Datix reports, Assurance reports and Risk Migration plan templates are inadequate for managing risks effectively as the reports do not include all key information and could be strengthened. Additionally, there was no evidence that the completion of actions to date has resulted in any change to the risk level or score. There is a risk to the Board that despite spending time and resources on actions to date, the Board face continued exposure and unresolved vulnerabilities to the risk area. We note that further actions are ongoing which should reduce the risk level or score.

We will review progress made as part of our recommendation tracking during 2024/25.



Headline messages



Conclusion

We have raised eight recommendations including two improvement point. The grading of the recommendations are based on risk and summarised in the table below.

| Risks | Assurance rating | Number of recommendations | | | |
|--|------------------------------|---------------------------|--------|-----|-----|
| | | High | Medium | Low | Imp |
| 1. Inadequate policies and documentation may lead to ineffective risk management practices and regulatory non-compliance. | Moderate Assurance | - | 2 | 1 | 1 |
| 2. Poor risk assessment processes could result in the failure to identify significant risks or improper resource allocation. | Significant Assurance | - | - | 1 | - |
| 3. Insufficient documentation of gaps and mitigations can lead to incomplete risk management efforts, preventing the Board from obtaining a comprehensive understanding of the risk landscape. | Significant Assurance | - | - | - | - |
| 4. Ineffective mitigation controls may lead to insufficient risk reduction, exposing the organisation to unacceptable levels of risk. | Moderate Assurance | - | 1 | - | - |
| 5. Ineffective risk management may result if risk handlers and owners do not collaborate and work together effectively. | Significant Assurance | - | - | 1 | - |
| 6. Inadequate monitoring and reporting processes at committee level can result in a lack of appropriate risk management oversight. | Significant Assurance | - | - | 1 | - |

Summary of findings



Examples of where recommended practices are being applied

- The Risk Management Policy and Risk Management Operational procedure are in date and are accessible via the internet. The two documents sit alongside each other giving easy access and providing the relevant information to employees.
- The risk assessment process is described well within the Risk Management Operational Procedure. The procedure includes a well described process to defining a risk and includes a good range of examples. This means that risk handlers and owners can ensure a risk is fully understood at the onset of the risk assessment process, leading to a more meaningful identification of gaps and controls to mitigate a risk.
- Assurance Reports produced for the Governance Committees evidence that a detailed update of the progress made in relation to the actions associated to each 'key factor' is reported.

Areas requiring improvement



- Datix reports do not include all the information expected to be in the report to enable effective risk management. This means that the key people involved in the management of a risk cannot see the full picture and vital information relating to the risk (note, this was raised as a recommendation in the 2023/24 audit).
- The Risk Assurance Report template does not capture the information we would expect to be included in the report. This leads to Governance Committees not being provided with information which may help them make informed decisions.
- Risk Mitigation Plans are used inconsistently and do not detail the controls, gaps in controls and the adequacy of the individual controls already in place. This leads to Committees not being aware of important information.
- A Corporate Risk Register generally contains strategic risks which compromise the delivery of the organisations objectives and any operational risks which cannot be managed at a lower level or have an impact across the system, and this is reflected in the Risk Management Operational Procedure. Unfortunately, there was no evidence that the risks we reviewed were mapped to the relevant corporate objectives.
- Although actions have been completed for each of the three risks we reviewed, no action has had an impact on the level of the risk to date and no risk level or score has reduced. This may be due to key actions not completed and focus should be given to those actions.
- Risk handlers are not sure of their status, and this should be clarified to ensure the right people are involved in the management of risks.
- The Governance Committees terms of reference are not consistent and do not include any reporting into the Committees.

Detailed findings & action plan

| 1. | Moderate Assurance | Inadequate policies and documentation may lead to ineffective risk management practices and regulatory non-compliance. | |
|--|--|--|--|
| Finding and implication | Audit recommendation | Management response, including actions | |
| <p><u>Committees' responsibilities are not reflected in policy.</u></p> <p>A review of the Risk Management Policy confirmed it is in date and accessible via NHS Lothians internet pages. The policy defines the responsibilities of the Audit and Risk Committee, the Healthcare Governance Committee and the Staff Governance Committee. No other Committees are referred to in the policy and this should be revised to reflect the responsibilities of other Committees which have oversight of individual risks, for example the Finance and Resource Committee.</p> <p>If roles and responsibilities are not detailed, there is the potential for confusion, inefficiency, and a lack of accountability, which can hinder effective decision-making and oversight within the organisation.</p> | <p>Recommendation 1. Policy</p> <p>To ensure there are robust governance arrangements and consistent responsibilities of all Committees which may hold oversight of corporate risks, the policy should be revised to include the responsibilities of ALL Committees with responsibility. This may be a generic statement of responsibility for Committees rather than specifying the names of individual Committees.</p> | <p>Actions: Specific references to Healthcare Governance and Staff Governance Committees will be removed.</p> <p>Responsible Officer: Associate Director of Quality.</p> <p>Executive Lead: Medical Director.</p> <p>Due Date: 31 October 2024.</p> | |
| <p><u>Datix reports are inadequate for managing a risk effectively.</u></p> <p>Review of an extract from Datix provided by the Corporate Risk Management Team highlighted that not all expected information to enable effective risk management is made available to key persons. Issues identified included the following:</p> <ul style="list-style-type: none"> The individual likelihood and consequence ratings for a risk are recorded narratively and a numerical score is not provided as seen in other organisations, for example Extreme = 5, Almost Certain = 5, therefore risk score = 25. We noted there was no target rating for two of the three risks indicating the risk tolerance following mitigating actions being taken. We were informed that this would be discussed with relevant risk owners at the bi-monthly meeting, due late July /early August 2024. Gaps within the controls of a risk are not detailed within Datix. The decision to either treat, tolerate, transfer or terminate is not captured within Datix and we were informed all risks are expected to be treated. We note that this decision is described as part of the process within the Risk Management Operational Procedure. The corporate objectives to which a risk relates is currently being updated by the Corporate Risk Management Team and will be confirmed with the relevant risk owners. <p>Further discussion highlighted that Datix is only used as a 'dock' of information for Corporate Risks rather than to manage the risks. There are plans to replace Datix in the future and that system may be used in a different capacity at that point.</p> | <p>Recommendation 2. Datix</p> <p>To ensure an effective and consistent approach to managing corporate risks, the Risk Management System should capture all relevant information relating to a risk, including the numerical make-up of the risk score, the target rating/score, the gaps in the controls, as well as the current decision to either treat, tolerate, transfer or terminate the risk or the activity associated to the risk.</p> <p>These factors should be considered during the procurement of a Risk Management System in the near future.</p> | <p>Actions: Findings acknowledge that reports from Datix are not used to update risks and alternative documentation is used, with the final updates, as ratified by the Board being recorded in Datix.</p> <p>Current documentation including the risk assurance table is currently being reviewed to incorporate all relevant information.</p> <p>Datix fields also being reviewed to enable relevant information to be captured and enhanced report to be provided.</p> <p>Responsible Officer: Associate Director of Quality.</p> <p>Executive Lead: Medical Director.</p> <p>Due Date: 31 December 2024.</p> | |

Detailed findings & action plan

| 1. | Moderate Assurance | Inadequate policies and documentation may lead to ineffective risk management practices and regulatory non-compliance. | |
|---|--------------------|---|---|
| Finding and implication (ctd.) | | Audit recommendation | Management response, including actions |
| <p><u>The Assurance Report and Risk Mitigation Plan template could be strengthened.</u></p> <p>A template document is available which includes an Assurance Report and a Risk Mitigation Plan. Review of the Assurance Report highlights a gap in the information we would expect to be included, and these can be mapped to those gaps we have highlighted within Datix described earlier within this report. Review of the Risk Mitigation Plans of the three risks in our sample highlighted a general inconsistency in the reporting style and format. Discussion with risk handlers confirmed they feel the template works well overall, and the template can be adjusted as required to meet their reporting needs.</p> <p>In addition, our review of the templates also identified the following issues:</p> <ul style="list-style-type: none"> Assurance Reports and Risk Mitigation Plans do not detail the controls and gaps in controls in place to manage a risk and interviews with risk handlers highlighted uncertainty to how a Governance Committee is made aware of these. Assurance Reports do not state the adequacy of individual controls to the Governance Committees. However, the summary section of the reports state the ‘overall’ adequacy of controls. Interview with the Corporate Risk Management Team informed us that gaps are expected to be detailed in the ‘key factors’ of the risk mitigation plan but our review highlights the ‘key factors’ are generally the individual areas of focus or workstreams relating to a risk rather than a gap in the controls. We were unable to determine whether completed actions have become a control within the Assurance reports. We noted inconsistencies that there were overlaps within the HSDU Assurance report, with progress on actions reported in more than one section. <p>Furthermore, review of Governance Committee meeting minutes indicated that the Healthcare Governance Committee like the format of the ‘Access to Treatment Assurance Report’ and would like all risks presented to the Committee to be in this format. The Committee suggested it would be helpful to define the highest risk areas and associated measurements for improvement. The Staff Governance Committee highlighted the significant work undertaken and progress achieved against the six workstreams of the Violence and Aggression risk.</p> | | <p>Recommendation 3. Assurance Report & Risk Mitigation Plan template</p> <p>To promote consistent reporting and ensure the Governance Committees are provided with the full picture of the position of a risk, we recommend that discussions are held regarding a redesign of the template Assurance Report and Risk Mitigation Plan, including the following:</p> <ul style="list-style-type: none"> A breakdown of the score (Likelihood/Consequence) Target score Risk response (tolerate, treat, transfer or terminate) Relevant corporate objective to which the risk relates Gaps in controls and actions Controls, including the movement of an action to a control. <p>This may be in the form of a dashboard or revisions to the current template.</p> | <p>Actions: Current Risk Mitigation template will be reviewed to include recommended information.</p> <p>Responsible Officer: Associate Director of Quality.</p> <p>Executive Lead: Medical Director</p> <p>Due Date: 31 December 2024.</p> |

Detailed findings & action plan

| 1. | Moderate Assurance | Inadequate policies and documentation may lead to ineffective risk management practices and regulatory non-compliance. | | |
|--|--------------------|--|---|--|
| Finding and implication (ctd.) | | Audit recommendation | Management response, including actions | |
| <p><u>Other Risk Management tools are used in isolation.</u></p> <p>It was noted that some risk handlers use the SCART tool, a critical analysis framework which provides an extra layer of assurance. We note that the tool is not mandated, and the Corporate Risk Management Team is not aware of it. An assessment of the SCART tool may determine whether this framework would further enhance the risk management process and ensure a consistent approach across the organisation.</p> | | <p>Improvement Point 4. SCART Tool</p> <p>To ensure the risk management process makes use of all available resources, we recommend that the Corporate Risk Management Team undertake an assessment of the SCART tool to determine whether this critical analysis framework would further enhance the risk management process.</p> | <p>No action required but may be of interest to management.</p> | |

Detailed findings & action plan

| 2. | Significant Assurance | Poor risk assessment processes could result in the failure to identify significant risks or improper resource allocation. | |
|--|-----------------------|---|--|
| Finding and implication | | Audit recommendation | Management response, including actions |
| <p><u>Risk descriptions are not written in accordance with policy.</u></p> <p>The risk assessment process is outlined within the Risk Management Operational Procedure. Generally, an effective assessment and management of a risk commences with a clearly defined risk description, describing, what event could happen, why the event could occur and what would be the consequence, and this is advocated in the procedure with described guidance on how to define a risk with examples.</p> <p>A review of the risk descriptions of the three risks in our sample, highlighted that not all risks state why the event could occur. Understanding ‘why’ an event can occur will assist in the identification of the best actions to take to minimise risk, and the importance of considering ‘why’ is well defined in the Operational Procedure.</p> <p>Additionally, for each risk, it is not clear which corporate objective the risk relates to, and we were unable to confirm alignment of risks to the corporate objectives from interviews with the Corporate Risk Management Team or the Risk Handlers. We would expect that identification of the corporate objective to which a risk relates is identified during the risk assessment phase when a risk is being added to the Corporate Risk Register.</p> <p>We recommend that the risk owners and handlers consider whether risk descriptions are sufficient with the support of the Corporate Risk Management Team at the next planned meeting and ensure each risk is clearly aligned to corporate strategic objectives.</p> | | <p>Recommendation 5. Risk Descriptions</p> <p>To ensure the continuous assessment and monitoring of corporate risks is effective, we recommend that risk descriptions are reviewed by the risk handlers and owners at least annually, with the support of the corporate Risk Management Team at the scheduled bi-monthly meetings.</p> <p>We recommend that identification of the relevant strategic objectives to which the risk impacts upon is identified during risk assessment and reviewed during these meetings. This should be easily identifiable in all reporting.</p> | <p>Actions: All risk descriptions will be reviewed at the next bi-monthly meetings.</p> <p>Associated strategic objective now included risk assurance table and in Datix.</p> <p>Responsible Officer: Associate Director of Quality (in conjunction with risk owners).</p> <p>Executive Lead: Medical Director.</p> <p>Due Date: 31 December 2024.</p> |

Detailed findings & action plan

| 4. | Moderate Assurance | Ineffective mitigation controls may lead to insufficient risk reduction, exposing the organisation to unacceptable levels of risk. | |
|--|--------------------|--|--|
| Finding and implication | | Audit recommendation | Management response, including actions |
| <p><u>There was no evidence that the completion of actions to date have led to a change in the risk level or score.</u></p> <p>Review of Assurance Reports, Risk Mitigation Plans and interviews with risk handlers highlighted that although actions have been completed for the three risks reviewed, no action has impacted the level of the risk or reduced its score.</p> <p>We acknowledge there are key actions relating to each of the risks which have yet to be completed, and it is considered that the completion of those key actions will reduce the risk score.</p> <p>We therefore recommend that the key actions impacting the risk level are easily identifiable within the Risk Mitigation Plans to encourage discussion with the Governance Committees, and that resources and monitoring of those actions become the focus of the Committees.</p> <p>There is a risk to the Board that despite spending significant time and resources on actions which do not impact on the scoring of the risk level/score, continued exposure and unresolved vulnerabilities still exist.</p> | | <p>Recommendation 6. Key actions</p> <p>To encourage the direction of resources to mitigate and minimise risks, we recommend:</p> <ul style="list-style-type: none"> • Risk Mitigation Plans provide focus to the key actions required to reduce risk levels, • Discussion of these key actions should be encouraged at Committee and Board level, including the identification of resources to deliver the most suitable actions. • Future monitoring of those actions should become the focus of reporting to Committees and the Board. • Work should be undertaken to explicitly link key actions of the Risk Management Plan to the actions required to deliver strategic objectives. | <p>Actions: Current Risk Mitigation template will be reviewed to ensure identification of key actions to facilitate focussed discussion at Governance Committees.</p> <p>Responsible Officer: Associate Director of Quality (in conjunction with risk owners and Committee Chairs).</p> <p>Executive Lead: Medical Director</p> <p>Due Date: 31 December 2024.</p> |

Detailed findings & action plan

| 5. | Significant Assurance | Ineffective risk management may result if risk handlers and owners do not collaborate and work together effectively. | |
|--|-----------------------|--|---|
| Finding and implication | | Audit recommendation | Management response, including actions |
| <p><u>The risk handlers roles and responsibilities should be clearly defined and documented.</u></p> <p>It was noted that the Corporate Risk Management Team meet with a risk owner on a two-monthly basis, a function developed in response to the recommendations of a previous internal audit. We observed the bi-monthly meeting held between a risk owner and the Corporate Risk Management Team.</p> <p>There was evidence of a detailed report being prepared in advance of the meeting and the risk owner and Corporate Risk Management Team working together with the risk handlers to collate information to report progress against the mitigation actions. The risk owner had a good knowledge base of the risks under their management to ensure discussions focused on progress. Review of the meeting schedule highlighted that risk handlers are not invited to all meetings.</p> <p>The roles and responsibilities of a risk handler is not documented or defined, which can result in a lack of clarity within the organisation and result in difficulties in working together effectively as individuals aren't clear on their role.</p> | | <p>Recommendation 7. Risk handler role</p> <p>To ensure risks on the Corporate Risk Register can be managed effectively, the risk handler's roles and responsibilities should be clearly documented and defined, including the appropriateness of attending all bi-monthly meetings with the risk owner and Corporate Risk Management Team.</p> | <p>Actions: Risk handler's roles and responsibilities will be added to documented CRR process.</p> <p><i>To note: Risk management procedure says: 'The risk handler typically undertakes the detailed work on the particular risk, and reports to the risk owner on that work.'</i></p> <p><i>Also risk handlers do attend bi-monthly meetings for other Exec leads but process slightly different for deputy CE meeting as updates and discussion with handlers takes place prior to the meeting.</i></p> <p>Responsible Officer: Associate Director of Quality.</p> <p>Executive Lead: Medical Director.</p> <p>Due Date: 31 December 2024.</p> |

Detailed findings & action plan

| 6. | Significant Assurance | Inadequate monitoring and reporting processes at committee level can result in a lack of appropriate risk management oversight. | |
|--|-----------------------|--|---|
| Finding and implication | | Audit recommendation | Management response, including actions |
| <p><u>Risk management responsibilities and reporting requirements are not consistently reflected in the Governance Committees terms of reference.</u></p> <p>A review of the terms of reference for the Committees with oversight of each of the risks in our sample confirmed that each Committee holds responsibility for monitoring and reviewing strategic risks and informing updates to risk assurance and mitigation plans.</p> <p>Our review identified numerous issues:</p> <ul style="list-style-type: none"> The terms of reference for the Healthcare Governance Committee do not make direct reference to the management of risks within the 'remit' for the Committee or as a 'core function'. The terms of reference for the Corporate Management Team, which has oversight of all risks on the Corporate Risk Register, were recently updated (July 2024) and do not reflect this oversight as a 'purpose' of the group. In addition, none of the terms of reference state the reporting requirements into the Committee. <p>A review of the Workplans of the Committees highlighted inconsistencies in the scheduling of the Risk Assurance Reports.</p> <ul style="list-style-type: none"> The Healthcare Governance Committee workplan indicates that the Corporate Risk Register is a standing agenda item for all meetings and the Access to Treatment Risk Mitigation Plan is scheduled for discussion annually. The Staff Governance Committee workplan states updates are to be provided to the Committee at each meeting, and this includes the Violence & Aggression risk. The Finance & Resources Committee does not have a formal workplan in place, although we acknowledge update reports are requested by the Committee at least annually, and this includes the HSDU Capacity risk. <p>Interviews with risk handlers confirmed that there are other forums with responsibilities for the individual elements (key factors) of the risk, for example the Outpatient Delivery Group oversees the actions relating to the Access to Treatment 'Outpatients' element of the Risk Mitigation Plan, and the Cancer diagnostic delivery board oversees the actions relating to the Cancer 31 and 62 days and the Diagnostics elements of the Risk Mitigation Plan. We did not review documentation from these forums as it outside the scope of this review.</p> | | <p>Recommendation 8.</p> <p>Governance Committees responsibilities</p> <p>To ensure the Committees risk management responsibilities are made clear, concise and consistent across the Committees, we recommend the following elements are considered:</p> <ul style="list-style-type: none"> The terms of reference for the Healthcare Governance Committee is revised at the next scheduled review to make direct reference to the management of risks within the remit of the Committee or as a core function. All Committees terms of reference detail the reporting arrangement <i>into</i> the Committee rather than only <i>from</i> the Committee. The new terms of reference for the CMT are revised to ensure the group's oversight of all corporate risks is reflected as a 'purpose' of the group. The expectations for a risk handler and owner to produce a report to a Governance Committee is consistent for all Committees and reflected in an approved annual workplan. | <p>Actions: All Committees Terms of Reference will be revised to include relevant points at next scheduled reviews.</p> <p>Scheduling of reports will be agreed alongside revision of current risk mitigation templates.</p> <p>Responsible Officer: Board Secretary. Executive Lead: Medical Director. Due Date: February 2025</p> |

Appendices

Appendix 1:

Staff involved and documents reviewed



Staff involved

- Tracey Gillies, Medical Director
- Jill Gillies, Associate Director of Quality
- Sue Gibbs, Quality & Safety Assurance Lead
- Alison MacDonald, Executive Nurse Director
- Michelle Carr, Chief Officer, Acute Services
- Fiona Ireland, Nurse Director (Corporate Nursing)
- Morag Campbell, Director of Estates & Facilities
- Robert Aitken, Associate Director of operations, Estates & Facilities
- David Collins, Head of H&S Services
- Alexander Crawford, Business Manager, Estates & Facilities
- Karen Fraser, Head of Risk, Quality & Assurance, Facilities
- Wendy Reid, Head of Performance & Business Unit, Executive Office
- John McHale, Executive Office
- Catherine Kelly, Business Manager, Acute Services



Documents reviewed

- Risk Management Policy, April 2023
- Risk Management Operational Procedure, April 2023
- Extract of Corporate Risk Register (CRR) from DATIX (Sample of three risks)
- Healthcare Governance Committee documentation
- Strategy, Planning & Performance Committee documentation
- Finance & Resources Committee documentation
- Staff Governance Committee documentation
- Corporate Management Team documentation
- Process for managing the CRR
- Risk reporting paper template
- Schedule for CRR meetings with risk owners

Appendix 2:

Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

| Rating | Description |
|------------------------------|---|
| Significant Assurance | <p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective. There may be an insignificant amount of residual risk or none at all.</p> <p>There is little evidence of system failure and the system appears to be robust and sustainable. The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)</p> |
| Moderate Assurance | <p>The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.</p> <p>In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant".</p> <p>The controls are largely effective and, in most respects, achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)</p> |
| Limited Assurance | <p>The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.</p> <p>This may be used when:</p> <ul style="list-style-type: none"> • There are known material weaknesses in key control areas. • It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for. <p>The controls are deficient in some respects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p> |
| No assurance | <p>The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.</p> <p>The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk (for instance several HIGH rated recommendations)</p> |

Appendix 3:

Our recommendation ratings

The table below describes how we grade our audit recommendations based on risks:

| Rating | Description | Possible features |
|--------------------|--|--|
| High | Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management | <ul style="list-style-type: none"> • Key activity or control not designed or operating effectively • Potential for fraud identified • Non-compliance with key procedures/standards • Non-compliance with regulation |
| Medium | Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management | <ul style="list-style-type: none"> • Important activity or control not designed or operating effectively • Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non-compliance with procedures/standards (but not resulting in key control failure) |
| Low | Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area. | <ul style="list-style-type: none"> • Minor control design or operational weakness • Minor non-compliance with procedures/standards |
| Improvement | Items requiring no action but which may be of interest to management or which represent best practice advice | <ul style="list-style-type: none"> • Information for management • Control operating but not necessarily in accordance with best practice |



